FINANCIAL TIMES

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Sweeping reform urged for UK pension schemes

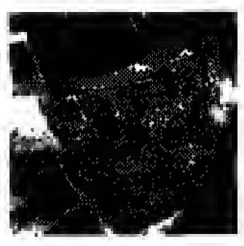
Sweeping reforms of the way UK occupational pension schemes are governed were recommended yesterday by the government's Pensions Law Review Committee, appointed in the aftermath of the Maxwell pensions scandal.

The committee calls for a new Occupational Pensions Schemes Act, an overall industry regulator, minimum solvency requirements and a requirement that scheme members be allowed representation on boards of trustees. Page 20; Lex, Page 20; Editorial Comment, Page 19

Du Pont cuts 1,160 jobs: Du Pont, the world's biggest nylon supplier, announced 1,160 job cuts in nyloo production in the UK and Germany. Further job losses could follow early next year when Du Pont completes an analysis of its world nylon activities. Page 20

Tietmeyer takes helm at Bundesbank: In a ceremony in Frankfurt today Hans Tietmeyer, 62, officially takes over from Helmut Schlesinger as president of the German Bundesbank. Page 2; Editorial Comment, Page 19

Honorary knighthood for Gulf war leader



Gulf war leader General Colin Powell, outgoing chairman of the US Joint Chiefs of Staff, has been awarded an honorary knighthood by the Queen. The UK Foreign Office said the honour was in recognition of his "outstanding contribution" to the Gulf war campaign and to the defence relationship between Britain and the US.

UN warns on Bosnia aid crisis: Bosnia is "looking into the jaws" of a humanitarian disaster this winter, the United Nations said. It warned that its aid operation for the area faced a cash shortfall of more than 50 per cent. Page 3

Paribas profits static: Paribas, the French banking group, said its net profits stabilised at FFr1.12bn ($190m) in the first half because of the recession in the French economy and pressures on the European banking industry. Page 21

United Nations envoy Rolf Ekeus is due to arrive in Baghdad on a mission to persuade Iraq to begin implementing permanent, long-term UN monitoring of its weapons programmes - agreement to which could pave the way to the lifting of sanctions. Page 7

Georgians abandon towns: Georgian troops abandoned the towns of Gali and Ochamchira, their last strongholds in the breakaway region.

NBC buys Super Channel stake: NBC, the US network broadcaster, is to buy a majority stake in Super Channel, the satellite company available in nearly 60m homes across Europe, mainly through cable networks. Page 21

Sumitomo Corporation, the Japanese trading house, is to write off unspecified securities losses incurred by a financial subsidiary, S.C. Finance, which had invested Y80bn ($754.71m) through special trading accounts to supplement core profits. Page 21; Japan announces deregulation for securities trade, Page 25

Japan's output declines: Japan's industrial production fell an annualised 2 per cent in August, declining for the 23rd month in a row, the longest on record. Page 7

Bosch deal with employees: Robert Bosch, the electrical and engineering group, has reached a deal with its German workforce which will cut their fringe benefits and other "voluntary" payments by around DM180m ($111.10m) a year. Page 4

Fishermen seek end to quotas: Scottish fishermen said they would accept limits on the amount of time they spend at sea, if the UK abandoned the system of EC quotas on the quantity of fish they can catch. Page 8

USAir warns of job losses: USAir warned of further cost-cutting and 2,500 more job losses. The carrier said weak revenues over the summer had reversed its fragile return to profitability of the second quarter. Page 23

Venom aids heart attack victims: Heart attack victims given ramipril, a drug derived from the venom of the Brazilian pit viper, are 27 per cent more likely to survive than those given a placebo, according to an article by researchers in the British medical journal Lancet.

■ STOCK MARKET INDICES		
FT-SE 100:	3037.5	(+7.4)
Yield	3.66	
FT-SE Eurotrack 100	1293.02	(+4.71)
FT-A All-Share	1508.55	(+0.2%)
Nikkei	20,105.71	(+28.30)
New York: lunchtime		
Dow Jones Ind Ave	3563.23	(-3.07)
S&P Composite	460.10	(-0.01)
■ US LUNCHTIME RATES		
Federal Funds:	3½%	
3-mo Treas Bills: Yld	2.972%	
Long Bond	103¼	
Yield	6.016%	
■ LONDON MONEY		
3-mo Interbank	5⅞%	(6%)
Life long gilt future:	Sep 113½	(Sep 113¼)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Nov)	$17.49	(17.03)
■ Gold		
New York Comex (Dec)	$357.1	(354.7)
London	$355.25	(352.2)

■ STERLING		
New York lunchtime:		
$	1.4985	
London:		
$	1.4955	(1.5125)
DM	2.4475	(2.44)
FFr	8.5125	(8.5275)
SFr	2.1375	(same)
Y	158.75	(159.0)
£ Index	78.7	(78.9)
■ DOLLAR		
New York lunchtime:		
DM	1.6320	
FFr	5.6975	
SFr	1.4285	
Y	106.0	
London:		
DM	1.6365	(1.6135)
FFr	5.6925	(5.6375)
SFr	1.43	(1.4135)
Y	106.10	(105.15)
$ Index	65.2	(64.7)
Tokyo close Y 105.1		

Gonzalez fights to keep VW plant in Barcelona open

By Peter Bruce in Madrid and Christopher Parkes in Frankfurt

VOLKSWAGEN, the German car maker, appeared last night to be positioning itself to shut down the Barcelona plant of its Spanish car subsidiary, Seat.

The Spanish government was trying to head off what would be one of the largest industrial plant closures in the country's history.

The office of Felipe Gonzalez, the prime minister, said his deputy, Mr Narcis Serra, had held several telephone conversations this week with Mr Ferdinand Piëch, the VW chairman. The two men are to meet in Madrid next Thursday.

Up to 9,000 jobs are threatened should VW decide, in the light of Seat's large losses this year, to close down the company's old plant near Barcelona harbour and concentrate Seat production at its modern new factory at Martorell, some 25km south of the Catalan capital.

The Seat crisis, which on Wednesday resulted in the resignation of the company's chairman, Mr Juan Antonio Diaz Alvarez, came at a bad time for the government in Madrid.

Mr Gonzalez's minority socialist government is trying to negotiate a wages pact with the main trades unions and to win support from powerful regional parties in Catalonia and the Basque country in order to be able to pass its 1994 budget, which was presented to parliament yesterday.

PAGE 3
■ Angry Seat workers vow to fight VW's cuts
■ BMW plans workforce of 2,000 for US plant

In the face of union reluctance to accept a civil service wage freeze, slower public pension growth and taxes on unemployment benefits, Madrid has unilaterally included these measures in the budget and senior officials now hold out little hope that a global agreement on wages over the next three wages can now be negotiated.

The Seat crisis will only further poison the atmosphere. "This shows again that sales of public assets (VW bought Seat from the Spanish government in 1986) to transnational companies are not neutral because in times of crisis these companies first and shut down plants outside their countries", one communist union official said yesterday.

In Barcelona, union officials were promising fierce resistance to any effort to close down the plant, which produces Seat's new Toledo and old Marbella models.

The unions were yesterday accusing the government of conniving with VW to cut jobs in Seat. The ruling party in Catalonia, the nationalist CiU, called on Madrid to step in with financial and fiscal help to save the Barcelona plant. The CiU has not yet linked its support for the 1994 budget to central government aid for the Barcelona plant but few analysts in Madrid doubt that this or a similar demand will be long in coming.

Spanish government officials say Madrid will do everything possible to help the plant survive but in reality this boils down to little more than persuasion. "There is no money," said one, "and even if there was we would not be allowed to give it to Seat."

The budget presented yesterday forecast higher unemployment for next year and Madrid is already committed to implementing new laws next year to make large-scale sackings cheaper and easier, administratively, for employers.

Mr Piëch plans to spend several days in Spain next week to try to calm political tempers and popular fears roused by his demands for harsh cuts at Seat.

The firefighting exercise will begin today at the VW headquarters in Wolfsburg when leaders of Spain's most important trade unions, the UGT and CCOO, fly in for talks.

Cootinoed on Page 20

Darkest hour for Russian deputies

Russian parliament speaker Ruslan Khasbulatov (above) dozes during a candle-lit session in the besieged Moscow White House early yesterday morning while deputy Sergei Baburin studies an order paper by flash-light. Report, Page 20

Ferruzzi withholds first-half figures

By Haig Simonian in Milan

FERRUZZI-Montedison, the troubled industrial group that owes its bankers more than L28,000bn ($17.87m), said yesterday that uncertainty about the group's future made it impossible to issue first-half figures.

The board of Montedison, which is the main industrial subsidiary of the Ferruzzi Finanziaria (Ferfin) holding company, said the restructuring plan being prepared by the group's bankers might significantly affect first-half earnings.

Among the most contentious points of the plan, which was originally due to be released at the end of August, is a moratorium on interest payments and a rescheduling of the group's debts.

The Ferfin board, which met just before a gathering of Montedison's directors, said it would reconvene on October 14 to approve the six-month figures. The decision to set such a tight deadline may represent an attempt to put pressure on the group's bankers to come up with a restructuring in time.

Ferfin's board said the restructuring plan, which was to be put forward "imminently", would determine "important measures to alleviate the grave financial burdens which cannot be met by net profits". The alleviation would also affect the figures for the first six months of this year.

Those figures which were released confirm that Ferfin's financial performance is improving at the operating level. Group sales rose by 19 per cent to L11,489bn from L9,635bn, while net operating profits went up by 69 per cent to L722bn from L426bn.

The improvement was also reflected in figures adjusted for the effect of last year's devaluation of the lira. On that basis, Ferfin's turnover increased by 3 per cent, while net operating profits climbed by 45 per cent.

A similar trend was evident at Montedison, where revenues jumped 26 per cent to L10,287bn from L8,176, while net operating profits almost doubled to L784bn from L398bn. Adjusted for currency factors and acquisitions or disposals in the first half, net operating profits rose by 45 per cent and sales were 7 per cent higher.

Incentives package 'not a factor' in siting of first passenger vehicle plant outside Germany

Alabama attracts $300m Mercedes plant

By Martin Dickson in Tuscaloosa, Alabama

MERCEDES-BENZ yesterday confirmed Alabama as the winner of a fierce contest between more than 30 US states to be the site of the company's first passenger vehicle plant outside Germany.

The $300m facility, which will produce a range of four-wheel drive sports/utility vehicles, is to be in the town of Vance (population 250), 12 miles (20km) east of Tuscaloosa, home of the University of Alabama, and 32 miles sonth of Birmingham, the state's largest city.

The decision is a great economic and psychological fillip for Alabama, which has trailed other states in the fast-growing south-eastern US in attracting new investment, particularly from ahroad.

At the start of the 1960s Birmingham rivalled Atlanta, Georgia, for the title of capital of the south-east, but it and the rest of Alabama fell behind in the next 20 years, due partly to a lingering reputation for racial strife during the civil rights era and partly to political in-fighting.

Mr Helmnt Werner, chief executive of Mercedes-Benz, the car and commercial vehicle subsidiary of Daimler-Benz, Germany's biggest industrial corporation, said that after investigating 170 US sites the company had decided that "Tuscaloosa provides the hest comhination of those factors we are seeking: a quality workforce, a strong transportation network, a university environment, business vitality and a favourahle quality of life".

Alabama is paying a high price to attract Mercedes-Benz. It is providiog economic incentives worth $112m and is committed to spending a further $140m on infrastructure and education.

Mercedes-Benz stressed that other states on its short-list – North and South Carolina – had offered similar packages and that incenlives had not been the decisive factor in selection.

Mr Billy Joe Camp, the Alabama official who headed the drive to attract Mercedes-Benz, said a cost/benefit analysis suggested that the plant would help create 15,000 jobs in the state over the next 20 years and hring $7bn in economic benefits.

Mercedes-Benz announced last April its decision in principle to build a volume sports/utility vehicle – a new market segment for the company – and to do so in the US, which is the largest market for four-wheel drive vehicles such as Chrysler's Jeep Cherokee, the Mitsubishi Pajero and the Land Rover Discovery.

The Tuscaloosa plant, which will employ 1,500 people, will begin manufacturing at the start of 1997, and will make 60,000 vehicles a year, as much as half of these for export markets.

Mercedes-Benz said more than 60 per cent of the components would be purchased in the US, including the transmission from Borg-Warner. Engines would be supplied from Germany.

Mercedes-Benz said yesterday that the sports/utility business, including worldwide sales, would be managed from Tuscaloosa.

Mr Werner said this was part of a new organisational structure devolving management responsibility to husiness units.

Rao pledges aid as Indian earthquake kills 10,000

By Shiraz Sidhva in New Delhi

NEARLY 100,000 army and police personnel were deployed in rescue operations yesterday after a rare earthquake rocked the Indian states of Maharashtra and Karnataka, killing 10,000 people and injuring at least that many, according to Indian television. Thousands are feared trapped under the dehris of their homes.

The earthquake, measuring 6.5 on the Richter scale, hit an area seldom affected hy severe seismological disturbances. Its epicentre was in the border region of Maharashtra, Karnataka and Andhra Pradesh, hut the impact was felt in a vast area covering six other states. The quake was followed hy six milder aftershocks. In the cities of Bombay and Hyderabad, people rushed out of their homes in the pre-dawn darkness, awoken by tremors.

The populations of entire villages in the economically backward rural districts of Osmanabad and Latur in western Maharashtra were wiped out when villagers were crushed under their mud and brick huts as they slept. The area is drought-prone hut small farmers, growing mostly millet, had a good monsoon season this year.

Although the worst-hit areas are too poor to have an impact on the country's economy, disruptioo may affect the sugar cane and industrial belt of Ahmednagar district.

Indian President Shankar Dayal Sharma appealed to voluntary organisations to help in the government's relief efforts for what is Maharashtra's worst-ever disaster, and the world's fourth-worst earthquake in the past decade.

Neighbouring Pakistan, with which India has fought three wars since independence in 1947, offered to send help. Acting President Wasim Sajjad and Mr Moeen Qureshi, caretaker prime minister, sent messages to their Indian counterparts to express sympathy.

Western aid agencies were yesterday launching relief appeals. The International Federation of Red Cross and Red Crescent Societies sent $66,000 in emergency funds and Christian Aid £50,000 ($77,000). Medical and food supplies in the region were said to be short.

Mr P.V. Narasimha Rao, the prime minister, pledged Rs20m ($637,000) from a government relief fund. A crisis management group under the chairmanship of Mr Zafar Saifullah, the cabinet secretary, met in New Delhi to co-ordinate relief work. Mr Rao said he would visit the area as soon as he was certain his presence did not impede relief operations.

Mr Sharad Pawar, Maharashtra's chief minister, rushed to Latur, where he said nearly 100,000 army and police personnel had been deployed.

India's last hig earthquake was in the hills of Uttarkashi in the north in October 1991, when 1,500 people died.

The worst earthquake on record in the subcontinent was in 1935, killing some 30,000 in Quetta, in present-day Pakistan.

The initial conjecture of seismologists is that a fault had developed in the earth's plate interior.

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft185	Neth	Fl 3.75	Slovak Rp	Sk45
Bulgaria	Lv25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD500	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk6.50	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Japan	Y510	Philippines	Peso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils600	Poland	Z22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Esc215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

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NEWS: CHANGEOVER AT THE BUNDESBANK

Tietmeyer: high-priest of hard money doctrine

FT writers report on the significance of today's handover of the Bundesbank presidency. For the guests gathered amid the dignified surroundings of Frankfurt's Palm House, the key issue can be summed up in one word: power

IN A grandiloquent ceremony of speech-making and chamber music in Frankfurt today, Mr Hans Tietmeyer takes the helm of the institution which has become the dominant force in European economic policy-making.

The audience for his inaugural address as president of the German Bundesbank will include Chancellor Helmut Kohl, a dozen foreign central bank governors, and top names in German business and finance.

In attendance, too, will be several of Mr Tietmeyer's eight surviving brothers and sisters from his clannishly Catholic birthplace in Westphalia, on the north German plains.

For many of the 750 guests in the dignified botanical surroundings of the 19th century Palm House in Frankfurt, the key issue can be summed up in one word: power.

As Germany struggles with its deepest post-war recession, and the EC weathers the aftermath of the summer monetary crisis, how Mr Tietmeyer deploys the Bundesbank's might is a question that occupies the whole of Europe.

Of massive build and earnest countenance, Mr Tietmeyer, 62, a one-time altar boy, aspired in his youth to become a priest.

Mr Tietmeyer believes that the Bundesbank's authority is spiritual as well as temporal. It stems from moral prowess as well as economic muscle.

At present, however, Europe is experiencing pain rather than salvation from the Bundesbank's crusade to stem the inflationary consequences of German unification.

At the pinnacle of a 30-year career near to the apex of German policy-making, Mr Tietmeyer has acquired a fearsome reputation for tireless intellect and missionary zeal. He knows that, today, his words will be weighed with unusual attention well beyond united Germany's borders.

Those expecting significant changes from the Bundesbank are, however, likely to be disappointed. Mr Jürgen Sarrazin, the Dresdner Bank chairman, sums up the general feeling: "I expect the continuation of a solid monetary policy aimed at preserving stability.

Mr Tietmeyer has been a member of Mr Kohl's Christian Democrats since 1960. He joined the Bonn Economics Ministry in 1962, the penultimate year of the stewardship of Mr Ludwig Erhard, the economics minister during the post-war "economic miracle". He served for eight years as state secretary in the Bonn Finance Ministry when Mr Kohl took over from Chancellor Helmut Schmidt in 1982. He went to the Bundesbank in 1990, and in August 1991 he became Bundesbank vice-president under Mr Helmut Schlesinger, who officially bows out at today's ceremony.

A man who can appear in turn both outspoken and enigmatic, Mr Tietmeyer displays the best-known characteristic of his native Westphalia: stubbornness. He prefers, however, to call the quality "steadfastness" or "persistence". And he can combine it, where necessary, with subtlety, eloquence and flexibility.

His true feelings are often a mystery. Professor Karl Schiller, economics minister between 1966 and 1972, who built up a good relationship with Mr Tietmeyer, calls him "an extrovert". On the other hand, one Frankfurt banker who knows him well calls him humourless and impersonal - "a cold fish". In negotiations, he switches character depending on whether he is speaking compliantly, in English, or aggressively, in German. Perhaps because of this, the verdict of Mr Anthony Loehnis, a former international director at the Bank of England - who converses with Mr Tietmeyer in English - is flattering. "Unlike many Germans," says Mr Loehnis, "he has a sense of humour."

Mr Tietmeyer combines Mr Schlesinger's economic expertise with the political skills and international experience of Mr Karl Otto Pöhl, the previous president, who resigned in 1991 after a row with Mr Kohl over financing German unification.

An adviser from a large US investment fund who knows Mr Tietmeyer well says: "He is much more internationally and politically sensitive than Schlesinger, with a clear sense of the inter-connections between Germany and the rest of Europe and the rest of the world . . He has a sense of things which Schlesinger never talked of except when referring to Tietmeyer speeches."

In his Bundesbank experience so far, he has been highly cautious. In contrast to both Mr Schlesinger and Mr Pöhl, he has not so far upset the foreign exchange markets through careless remarks on the D-Mark - an achievement in which he takes some pride.

On the other hand, Mr Tietmeyer is well known for his penchant for lecturing people (including, on occasion, Mr Kohl) and for bluntness in international gatherings. He shows most irritation when Italian officials reprimand the Germans over excess government spending.

During the ERM crisis meetings two months ago in Brussels, he announced sarcastically that the French appeal for unlimited intervention to save the franc was tantamount to asking for the Bundesbank to be closed down.

He finds his belief in the virtues of free enterprise best expressed by Mr Erhard's doctrine of the social market economy - where a capitalist state, with a controlled "safety net" for the underprivileged, is held as the best method of maintaining social stability.

There is a touch of piety in an autobiographical note written for his leaving examination in 1952 at the Catholic high school he attended in Münster not far from his birthplace.

The young Tietmeyer declared himself "interested in public life" and eager "to build up the state [of the federal republic]." As a 22-year-old, he started to study theology before switching to philosophy and economics. Dr Wilhelm Schmulling, aged 80, Mr Tietmeyer's former class teacher, remembers him as "hard-working" and "co-operative" but adds: "I never thought he would become Bundesbank president."

Mr Tietmeyer likes to stress a strong ethical dimension to Bundesbank policies. Comparing the differences between the UK's relatively settled history, and Germany's past vicissitudes, Mr Tietmeyer once said: "You have the House of Lords, the Queen and your established traditions . . . We have the Bundesbank as our pillar of stability." Mr Heinrich Tietmeyer, a younger brother, himself a priest, says the new Bundesbank president believes that "keeping the D-Mark stable is part of keeping people stable".

Mr Tietmeyer has the reputation and the appearance of a quintessential hard money man; the Bundesbank's traditions, indeed, allow him little doctrinal leeway. But if Germany's 3.6m unemployment continues to rise, his personal dilemma over the need to cut interest rates may be more acute than generally recognised.

One former member of the Bundesbank's policy-making council says: "What happens if unemployment goes up so much that he has to throw caution to the winds and say, right or wrong, we must get interest rates down?"

As a sign of Mr Tietmeyer's relative flexibility on interest rates, he suggested a ½ point cut in the German discount rate at the crucial meeting of the Bundesbank's policy-making central bank council on July 29.

This was designed to help counter pressure on the French franc. Mr Tietmeyer's proposal, backed by several other members of the council, was turned down, however, by Mr Schlesinger.

As this example illustrates, Mr Tietmeyer faces a formidable array of tasks. He must bring down Germany's unusually high 4 per cent inflation rate and keep the D-Mark stable, at a time when many economists believe German industry's competitiveness problems warrant a lower currency level.

He must use his influence with Mr Kohl to help restore order to Germany's public finances, and at the same time attempt to build EC monetary co-operation.

He must also win co-operation from the Bundesbank's sometimes fractious 16-man policy-making council, where each member has the same one vote as the president.

Mr Otto Schlecht, a former state secretary at the Economics Ministry, says Mr Tietmeyer's capacity for hard work can be a weakness. "He has a problem in working in a team . . . He doesn't delegate."

He warns Mr Tietmeyer against trying to "dominate" the Bundesbank council. "Otherwise, they will become obstinate."

He does not come to the job untrained or without connections. Among his former political protégés are Mr Johannes Ludewig, the economic adviser to Chancellor Kohl, Mr Horst Köhler, his successor as state secretary in the finance ministry - who now presides over the German savings bank federation - and Mr Gert Haller, the ministry's present state secretary.

He played a leading role in drawing up Bonn's policies on economic and monetary union (Emu) during the past two decades. His work on early EC plans for Emu in 1970-72 convinced him that monetary union would only be feasible if Community states showed far more convergence, not just in economic policies and performance, but in economic structures.

In 1982, he was the main author of a strategy paper by the then economics minister, Mr Otto Lambsdorff, which warned that welfare spending under Mr Schmidt's government was threatening to run out of control. This paper contributed to the collapse of Mr Schmidt's coalition.

In 1986, he escaped an assassination attempt outside his house in a Bonn surburb. In 1990, he was chosen by Mr Kohl to lead negotiations on the introduction of the D-Mark into east Germany.

By prompting the collapse of industry east of the Elbe, necessitating massive fiscal transfers to eastern Germany, the terms of the 1990 accord greatly contributed to the sharp rise in the German budget deficit which the Bundesbank now so abhors. He has since admitted that mistakes were made in the unity deal - but adds that, if Bonn had pressed for full disclosure of the east German economic malaise, the political will for unity would have ebbed.

Mr Tietmeyer's former actions in Bonn have an echo in other policy areas, too. Mr Kohl's latest appeals for "solidarity" to finance German unity bear marks of Mr Tietmeyer's thinking from the late 1960s, when he consistently argued for "social dialogue" between the forces of capital, labour and politics.

On the international economic circuit, Mr Tietmeyer has been almost equally active. "He is one of the big men of his time," says one senior international economic official.

Since 1990, Mr Tietmeyer has chaired meetings of the so-called "working party three" of central bankers and treasury officials at the Organisation for Economic Co-operation and Development in Paris.

According to Mr Kumiharu Shigehara, the OECD's chief economist, "he was one of the best chairman I remember", although he could occasionally be "a bit harsh". Over the EC's negotiations on Emu, Mr Tietmeyer will be "extraordinarily vigilant", according to one top Bonn official.

One area in which, embarrassingly for the Bank of England, he was proved right concerned Britain's entry to the ERM in October 1990. At the outset, Mr Tietmeyer - like Mr Pöhl - forcefully told the UK government that the pound's level against the D-Mark was too high. When sterling was forced out of the ERM in September 1992, his argument seemed to have carried the day.

His relationship with the main advocate of Emu, Mr Jacques Delors, the EC Commission president, is adversarial - partly reflecting Mr Tietmeyer's period in 1984-87 as chairman of the EC monetary committee, when Mr Delors would undermine positions taken by the committee.

Over the "convergence criteria" laid down to guide the path to Emu under the Maastricht treaty, the Bonn official says: "He will be very, very attentive to any deviations from the path of Islam . . . He is completely humourless on the subject of Emu."

His concern about monetary union is that only the "right countries" should join, the official adds. Despite the summer upheavals, the EC still plans to go ahead with the so-called stage two of Emu next year, under which a new European Monetary Institute will be set up to co-ordinate EC monetary policy.

However, Mr Tietmeyer's basic aim is to ensure that stage two will not water down the Bundesbank's autonomy to set German monetary policy as it sees fit. Although he sees the advantages of exchange rate stability, he said recently his main commitment is to internal rather than external monetary stability.

Of crucial importance will be Mr Tietmeyer's relationship with Mr Kohl. Mr Tietmeyer acted as the chancellor's "sherpa" preparing economic summits during the 1980s.

But, partly because of his propensity for sermonising, the chancellor got on better with Mr Tietmeyer's successor as finance ministry state secretary, the more emotional Mr Horst Köhler.

Hopes - or fears - that Mr Kohl will have an undue influence on Mr Tietmeyer are, however, unlikely to be realised. "It is accepted by everyone that he is a Bundesbank man," says one central banker.

Mr Kohl knows that any attempt to put overt pressure on Mr Tietmeyer is likely to be counter-productive. None the less, there remains a lingering feeling that the relationship between Bonn and Frankfurt will be closer than in the past. According to a top Bonn official who is close to both Mr Kohl and the new Bundesbank president: "Tietmeyer will forget his Bonn past - but only as much as he needs to."

Reports by David Marsh, Peter Norman, Quentin Peel and Chris Parkes

'Mr Tietmeyer is well known for his penchant for lecturing people, including Chancellor Kohl, and for bluntness in international gatherings. He shows most irritation when Italian officials reprimand the Germans over excess government spending. During the ERM crisis he announced sarcastically that the French appeal for unlimited intervention to save the franc was tantamount to asking for the Bundesbank to be closed down'

BUNDESBANK'S RECORD IN STANDING UP TO BONN GOVERNMENT

1950 – wins showdown (as Bank deutscher Länder) with Chancellor Konrad Adenauer over 2-point increase in discount rate

1956 – Adenauer complains unsuccessfully that bank's monetary "guillotine" is hitting German industry

1957 – Bank deutscher Länder becomes Bundesbank, with statutory independence

1961 – Bundesbank opposes D-Mark revaluation, but forced to change mind by economics minister Ludwig Erhard

1966 – Tight money precipitates first post-war recession, contributing to Erhard's departure as chancellor

1969 – D-Mark revalued after Bundesbank's proposal at first rejected by Bonn. Row helps precipitate defeat of Chancellor Kurt Georg Kiesinger

1972 – Row over capital controls, leading to resignation of economics minister Karl Schiller

1978 – Dispute over setting up European Monetary System

1979 – Bonn publicly opposes Bundesbank interest rate tightening

1981-82 – High interest rates discomfit Bonn government, helping Chancellor Helmut Schmidt's downfall

1987 – Discord over setting up Franco-German monetary council

1988 – Disagreement with Chancellor Helmut Kohl over European monetary union

1990 – Bundesbank opposes conversion rate for monetary unification with East Germany

1991 – Bundesbank president Karl Otto Pöhl resigns

1992-93 – Tight Bundesbank policies increase problems for ERM

Secretive society of Germany's listening bank

Mr Tietmeyer will require diplomacy rather than an autocratic hand to lead the Bundesbank council, writes **David Marsh**

Associated Press

Schlesinger (left) is handing over to Tietmeyer a body whose deliberations are kept secret for 30 years but whose decisions immediately reverberate around the world

ANALYSING the mood and inclinations of the 16-member Bundesbank council that meets bi-weekly to discuss interest rate policies has become increasingly complex.

Among the line-up are four professors, three former finance ministers in state governments, and two one-time journalists. Most members have had previous careers as public functionaries (Beamte) – but only three have risen from Bundesbank ranks.

Made up of the seven-man directorate, headed by Mr Hans Tietmeyer, and nine chairmen of the regional central banks from the German Länder (states), the council has an average age of 59. Only one woman has ever sat on the Bundesbank council, and she left 15 years ago. Each member has one vote and the independent-minded regional bank chairmen have shown a growing tendency to counter the views of the directorate.

The council's deliberations are normally kept secret. Formal minutes are released after 30 years. However, for the past decade the council has only kept approximate minutes.

The present council is relatively inexperienced – half have sat on the board for two years or less – which could aid Mr Tietmeyer's efforts to wield control. On the other hand, the new president, said by critics to be a poor communicator, will need to launch a diplomatic offensive to win council members over to his side.

One view circulating in Frankfurt is that the sometimes autocratic Mr Tietmeyer will try to force his views on the board, which could turn some of the more rebellious members against him.

On the other hand, Bundesbank officials warn against over-estimating the significance of the change of presidency. One member of the council says: "To speak of controlling the board is not correct. No president can force discipline on us... Everyone has his own ego." Of the 16-man board, one seat – in Hamburg – is vacant, but is being filled for the time being by the regional bank's vice-president, Mr Hans-Jürgen Siegmund.

Only one board member, the new Bundesbank vice-president, Mr Johann Wilhelm Gaddum, 63, has had mainstream private-sector business experience. He once headed his family oil trading business.

However, two other directorate members, Mr Günther Storch and Mr Edgar Meister, are former public-sector commercial bankers. Mr Horst Schulmann, 60, the head of the Hesse regional central bank, had a spell working for the steel group Hoesch.

While directorate members are chosen by the Bonn government, regional central bank chiefs are selected by state governments. Nominations are made on the basis of politics as much as competence. The somewhat colourless Mr Gaddum is a former Christian Democrat (CDU) politician and long-standing friend of Chancellor Helmut Kohl.

Mr Gaddum's appointment as No 2 to Mr Tietmeyer – also from the CDU – countered the long-standing tradition of drawing president and vice-president from the ranks of both the government and opposition. Mr Schulmann, a former personal adviser to Chancellor Helmut Schmidt and state secretary in the Bonn Finance Ministry until the change of government in 1982, is believed to have been offered the job, but turned it down.

This may have been partly for personal reasons, since Mr Tietmeyer took his state secretary job in Bonn when Mr Kohl became chancellor in 1982.

Other strong figures on the board are Professor Reimut Jochimsen, 60, the Social Democrat regional bank president from North Rhine-Westphalia, and Mr Lothar Müller, 66, the hawkish head of Bavaria's regional bank, who after 14 years on the council is now its longest-serving member.

Mr Jochimsen's independent views have occasionally alienated Mr Schlesinger, the former president. Mr Jochimsen was mooted as a candidate to become deputy under Mr Tietmeyer, but Chancellor Kohl is believed to have turned down the idea because of Mr Jochimsen's highly sceptical statements about the Maastricht treaty.

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UN warns of aid calamity for Bosnia

By Gillian Tett in London, Laura Silber in Belgrade and Frances Williams in Geneva

BOSNIA is "looking into the jaws" of a humanitarian disaster this winter, the United Nations said yesterday. It warned that its aid operation for the former Yugoslavia faced a cash shortfall of more than 50 per cent.

The warning comes amid fears that the Bosnian parliament's virtual rejection of the peace proposals on Wednesday will trigger further fighting across the region.

In an effort to salvage the peace process, Lord Owen and Mr Thorvald Stoltenberg, the international mediators, met in Geneva yesterday and spoke to Bosnian, American and UN representatives.

The Bosnian parliament has said it will accept the peace deal, which would turn Bosnia into a loose union of three ethnic mini-states, only if lands seized hy force are returned.

But with the mood in Geneva reported to be sombre, diplomats close to the talks warned it was uncertain whether the mediators could produce any fresh diplomatic initiatives rapidly, while the reponse from the Serh and Croat leaders remained unclear.

One diplomat said: "It's a very serious situation."

Although UN aanctions against Serbia have left the Serh leadership in Belgrade keen for a settlement, the Serbs have insisted they will not yield any more land.

Mr Radovan Karadzic, Bosnian Serh leader, said the Serbs would continue to build their state and accused the Bosnian Moslems of seeking to stall the process.

As tensions rose across Bosnia, Gen Rasim Delic, commander of the Moslem-dominated Bosnian army, said he had ordered his troops to cease military action against the Croats.

Most ceasefires to data in Bosnia have qnickly hroken down, and sporadic fighting was yesterday reported to be continuing between Moslem and Croat forces in central Bosnia.

Meanwhile, Gen Delic warned that Serb forces were massing in north and east Bosnia.

● Yugoslavia today will strike six zeros from Yugoslav dinar notes because of soaring inflation. But government officials cautioned that the new notes would not be distributed to stores immediately because of the lack of petrol caused by UN sanctions.

After the redenomination, 1m dinars will be equal to one dinar. One kg of meat yesterday cost 20hn dinars or the equivalent of two monthly pensions.

"The move is only a technical denomination which will not help the situation," says Mr. Jurij Bajec, professor of economics at Belgrade University.

The Bosnian aid crisis: What is needed for winter survival

AN UPHILL STRUGGLE

THE humanitarian criais this winter is likely to be considerably worse than last year if the Bosnian war continues, UN agencies warned yesterday. Nearly 3m peopla in Bosnia, twice as many as last winter, are expected to need food and shelter aid: tha numbers are rising each day as fighting isolates more communities. But agencies say they remain short of funding. Food aid alone in the former Yugoslavia is projected to cost $1.7m (£1.1m) a day, with the total bill for emergency aid expected to be nearly $500m, half for Bosnia. "Last winter the weather was fairly mild and people had reserves of food and energy," says Mr Ray Wilkinson, spokesman for the UN High Commissioner for Refugees in Sarajevo. "This winter they are exhausted, and tha situation will be far worse."

CLOTHING AND SHELTER

The UNHCR estimates that 500,000 people will need "winter relief items" – 3,500 tents, 3.6m sq m of plastic sheeting, 396,000 mattresses, 4m candles, 800,000 pairs of socks, and swaaters, gloves, vests and shoes for 400,000 people. With only $43m received of the $68m needed, there are severe shortages of clothes.

FUEL

With most electricity and gas supplies in tha region cut, and distribution of diesel hampered by fighting, lack of fuel will be one of the most critical problems this winter, particularly in the cities. Sarajavo alona, which has no stocks of coal, is estimated to naed 80,000 tonnes of coal.

FOOD

Tha UN's World Food Programme estimates that 2.7m peopla will require food aid for the next six months: more than 260,000 tonnes of wheat flour, oil, biscuits, meat, fish, salt and sugar.

Tha cost, including ona month's amargancy stocks, will be $200m. Donations of wheat have left the WFP with sufficient carbohydrates for tha next three months but only 50 per cent of the necessary high-protein foods, and little stocks for beyond January.

Although the food is stacked in warehouses in Split, Zagreb and Belgrada, tha WFP has been unable to build up stocks in crisis spots, and fighting in central Boania has already prompted reports of imminent atarvation in aoma isolated communitias.

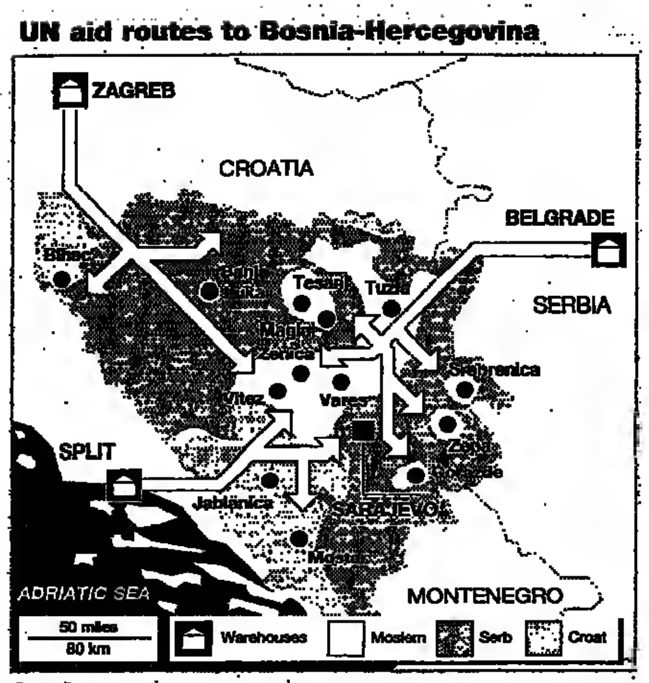
SEEDS

Tha UNHCR has distrihuted nearly 4,000 tonnes of vegetabla and whaat seeds which could feed 900,000 paopla when tha harvested next summer. But fighting has pravented the distribution and sowing of some of the seed, which needs to be planted by early October.

MEDICAL SUPPLIES

Recent outbreaks of hapatitis have laft tha World Health Organisation alarmed about tha deterioration in health conditions. About 1m people have lice or other health problems arising from lack of hygiene and water.

UN aid routes to Bosnia-Hercegovina



Sarajevo
Requiring food aid: 380,000. Being delivered: 78%
Most of Sarajevo's food aid has got through in recent months, but the city is critically short of fuel: 85 per cent of the population depends on natural gas, and the city's water pumps depend on electricity.

Southern Bosnia and Hercegovina
Requiring food aid: 335,000
Being delivered: 21%
The situation here is critical, aid agencies say, with fighting between Moslem and Croat forces blocking most deliveries. The Split warehouse has stockpiled food, but agencies warn of disaster in cities like Mostar if fighting continues.

Central Bosnia and Tuzla
Requiring food aid: 740,000
Being delivered: 46%
The Tuzla region is relatively stable, but there is strong concern about Tesanj and Maglaj, where up to 150,000 Moslems have been cut off by Serb forces. Clashes between Moslem and Croat forces have also isolated many communities, with the situations in Jablanica, Zenica, Vitez and Vares reported to be critical.

Eastern Bosnia
Requiring food aid: 336,000
Being delivered: 69%
A considerable proportion of the aid supplied from Belgrade is getting through. However, clashes between Moslems and Serbs around the Moslem enclaves of Zepa, Gorazde and Srebrenica have blocked convoys, and all these towns are overcrowded with refugees, with the water supply situation in Srebrenica reportedly serious.

Banja Luka and Bihac
Requiring food aid: 489,000
Being delivered: 78%
The situation is relatively stable, with most food aid supplied from Zagreb reacing the area. Concern remains, however, about continuing harassment of the Moslem population in Serb-held Banja Luka and the presence of a large refugee population.

EC beckons for winners of Greek election

By Kerin Hope in Athens

GREEK ELECTIONS

RUNNING the European Community presidency for the first half of next year will be the first important foreign policy test for the new Greek government after the October 10 election.

With the opposition Panhellenic Socialist Movement holding a steady lead in opinion polls, anxieties about Greek obstructiveness in Community affairs, frequent under previous Socialist administrations, are reviving. Independent polls predict Pasok will win up to 44 per cent of the vote, against 41 per cent for the conservative New Democracy party, enough for a working majority in parliament.

However, the timing of the election, six months earlier than expected, has relieved European Commission officials. A disruptive election campaign and probable change of government midway though the Greek presidency loomed as a nightmare scenario in Brussels.

If the Socialists return to power, the first question will be whether Mr Andreas Papandreou, the Pasok leader, will have the stamina to make the rounds of EC capitals and be an effective chairman of next year's summit on Corfu. In 1988, when Greece last held the EC presidency, a shaky-looking Mr Papandreou, recovering from heart surgery, called an early halt to proceedings.

Mr Papandreou will have to work hard in any case to reassure Greece's EC partners that his new-found enthusiasm for European economic union, a central theme of his campaign speeches, is more than a convenient election tactic.

Still, the constraints of being the EC's poorest member, together with Greece's commitment, accepted by Pasok, to meeting the Maastricht targets for economic convergence, should make a new Socialist government more co-operative than its predecessors.

Greece is unlikely to stop raising difficulties over regional issues. It will go on blocking attempts to unfreeze Ecu400m (£306m) in EC aid to Turkay under the Fourth Financial Protocol and will do its utmost to prevent full diplomatic recognition of the ex-Yugoslav republic of Macedonia.

However, regardless of the election outcome, Greece's dependence on EC transfers to shore up its current account and provide the bulk of co-financing for public investment projects will mean that Greek policymakers will think twice before straying far from the Commission's agenda for 1994.

Moreover, the presidency will coincide with efforts to speed transfers from the Delors II package of infrastructure funding, from which Greece hopes to get almost $20bn (£13bn) over the next six years.

Greece's own priority for the presidency will be to push for a co-ordinated EC policy on the Balkans, and to help develop communications and economic co-operation.

Angry Seat workers vow to fight VW's cuts

By Tom Burns in Barcelona

ONE thing that really irritates workers at Seat, the Spanish subsidiary of Volkswagen, is that the parent German group even brought in soil when it built a new plant at Martorell, 35 kilometres west of the old factory at Barcelona.

"VW changed the Spanish washroom taps at Martorell to German ones and laid down German earth for the gardens," Mr Inocencio Jaramillo, a Seat union organiser, said yesterday at the main plant in Barcelona. He and the other 12,000 workers could soon be out of a job.

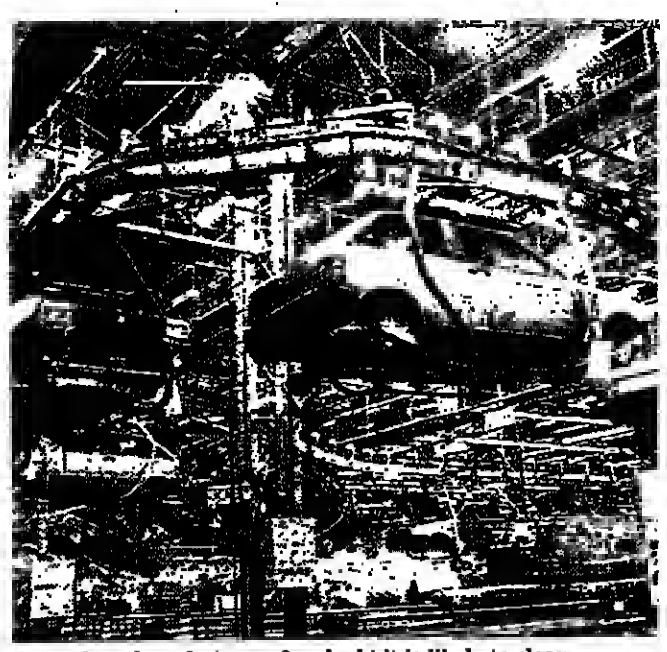
The gleaming Martorell plant, opened earlier this year following a Pta244bn (£1.2bn) investment, was supposed to be the symbol of VW's future in Spain. The Barcelona factory, now more than 40 years old, is the obsolete symbol that VW would prefer to forget.

Although the German group has not specified the closure of the Barcelona plant, it has indicated it wants stringent cuts in its loss-making Spanish subsidiary. It was the failure to deliver such cuts that led to the resignation of Seat's chairman, Mr Jose Antonio Diez Alvarez, on Wednesday.

Few at Seat doubt that the cuts mean the curtain will come down on the old plant but the Barcelona workers are quietly confident that their cause is not yet lost.

"VW simply cannot do it," said Mr Jaramillo, a neatly dressed clerical worker who held court, surrounded by boiler-suited colleagues, in the basement offices set aside for union activities in the plant's main administration building.

A group of Mr Jaramillo's colleagues were travelling yesterday to the VW headquarters at Wolfsburg for meetings with chairman Mr Ferdinand Piëch.



Seat's Barcelona factory – few doubt it is likely to close

"If he (Piëch) wants to close us down, he will be firmly told it is quite impossible. We represent a political cost that neither Volkswagen nor the Spanish government can pay for."

The quiet determination, however, masks a very real fear that the writing is indeed on the wall. The Barcelona plant was condemned just as soon as Martorell, with a 6,500 labour force, came on stream.

Closure of Barcelona is such an emotional issue it can hardly be faced. The employees that crammed into the basement office have been with Seat almost from the start. At least half the Barcelona labour force is over 50 and all feel proprietorial about the company.

"If we go, it is the end of Seat as a company, as a trade mark, as an identity," said "Tomasin", a veteran, like Mr Jaramello, of more than 20 years with the car manufacturer. "From now on it will be just Volkswagen, perhaps that is what the Germans always intended."

Closure of the plant, which occupies a square kilometre of an industrial estate called the Zona Franca, south of the city, is also a stunning blow to Barcelona. "We are the lungs of the Zona Franca, we keep it going," said Mr Jaramello. "Some 40,000 indirect jobs will be affected by our closure."

If Seat, hy far the largest employer on the estate, shuts down there will be extreme nervousness at neighbouring loss-making plants operated by Nissan and by a subsidiary of Fiat.

Seat's Barcelona workers promise "strong, very strong, action", if the closure is forced through. At the very least they will bring Martorell to a "standstill".

BMW plans workforce of 2,000 for US plant

By Kevin Done, Motor Industry Correspondent

BMW, the German executive and luxury carmaker, is to hire 300 production workers in 1994 and 700 more in 1995 for its planned US car plant in Spartanburg, South Carolina.

The company said the workforce of the manufacturing operation, its first plant in North America, would total more than 1,200 by late 1995 and would grow to 2,000 by the late 1990s.

The first production workers will be recruited in January and most of those hired during 1994 will be sent for training to BMW plants in Germany.

Mr Al Kinzer, president of BMW Manufacturing, said that the basic wage of a production worker at the Spartanburg plant would begin at $12 (£7.70) an hour and would rise to $16 an hour within 24 months. BMW would also pay a $100 attendance bonus for "perfect on-time attendance" during each four-week period during the year as well as an annual company performance bonus.

Gross wages for car workers are broadly comparable in Germany and in the US, but German carmakers are burdened with the highest total wage costs (gross wages plus social costs such as payroll tax) in the world motor industry.

According to the German Auto Industry Federation (VDA), German carmakers have total wage costs of DM47 an hour (in December 1992), 37 per cent higher than in the US at DM34.4 an hour.

Mr Kinzer said workers at the Spartanburg plant would have 10 vacation days and 13 paid company holidays. BMW said its German workers have 30 days' vacation and 13 public holidays.

According to the VDA German car workers clock up only 1,483 hours a year, 27 per cent fewer than the 2,022 hours worked by a US car worker.

BMW said the average gross pay for an assembly line worker at its German plants was DM24 or $15 an hour.

The $400m plant was expected to begin production in the autumn of 1994 with output rising to 300 a day hy end of 1996.

Bosch workers surrender fringe benefits

By Christopher Parkes in Frankfurt

ROBERT BOSCH, the electrical and engineering group, has struck a ground-breaking bargain with its German workforce which will cut employees' fringe benefits and other "voluntary" payments by around DM180m (£72m) a year.

The deal, announced yesterday, will hearten other leading industrial companies which are negotiating for similar payroll savings with engineering union officials.

The Bosch settlement followed eight months of discussions and intermittent protest strikes aimed at reducing personnel costs by DM250m a year. The group has already acted to cut materials and capital costs by a similar amount.

Around DM70m was saved in April when directors' and non-unionised employees' salaries were cut, and management unilaterally announced that a previously agreed 3 per cent rise for hourly-paid workers would apply only to the basic rate. Annual increments are usually applied to the total pay package.

Yesterday's agreement included cuts in shift premiums and canteen subsidies, and spelt the end of interest-free home loans and spa cures at the company's expense.

Although Bosch calculates that social, educational and other benefits and bonuses will still cost it DM750m a year, the settlement marks an important breakthrough in industry's efforts to restrain costs.

Success at Bosch, Germany's leading vehicle component supplier, will raise hopes of progress in generally secret negotiations under way, especially in the motor industry.

Germany's biggest union, IG Metall, has over the years negotiated a substantial array of costly benefits for its membership, which are now under scrutiny as management seeks to restore competitiveness.

These include free travel to work, anniversary bonuses, cures for paintshop workers, beer allowances, extra sick pay and an extra month's payment at Christmas. Also under debate are the day-long workers' assemblies, usually held at least twice a year, in which production stops entirely.

The opening of negotiations in the Daimler-Benz group has already been marked by protest strikes. On Tuesday this week more than half the workforce at its Deutsche Aerospace subsidiary downed tools for an hour.

Similar moves by the government have also stirred unrest. IG Bau-Steine-Erden, the construction industry union, for example, has called a nation-wide demonstration for this Saturday against Bonn's plans to cut benefits paid when site work is stopped by bad weather.

Bonn split on crime plan

By Ariane Genillard in Bonn

A PROGRAMME to fight rising crime, announced yesterday by Germany's interior minister, Mr Manfred Kanther, has sparked virulent protests from the liberal Free Democrats, adding to strains on the coalition government.

The programme, which Chancellor Helmut Kohl and his allies hope to put to parliament in the autumn, aims to strengthen police forces and improve co-ordination between them and security agencies.

Crime, from small burglaries to operations by organised gangs and growing numbers of racist attacks, is expected to be a big issue in next year's elections.

The measures, however, include permission to place listening devices in the homes of suspects and allowing policemen, acting as undercover agents, to be involved in criminal actions, steps which threaten to further divide the Bonn coalition, already weakened by disputes over the choice of a presidential candidate and a healthcare plan for the elderly.

The Free Democrats (FDP), junior partners in the coalition, are struggling to sharpen their party's profile, and hope their opposition to the measures will tap into the historical suspicions of many Germans about strengthening the security forces and about state surveillance of individuals.

"We are convinced that some essential legal principles should not be given up," Mr Burkhard Hirsch, FDP deputy responsible for domestic security, said yesterday. "It is a populist simplification to fight crime by passing more laws and closing your eyes to the causes behind it."

The FDP also opposes plans for tougher penal sanctions against criminals under 21 in order to deter delinquents from crime and clamp down on racial violence. It argues that racial violence can only be tackled by changing the status of foreigners in Germany and devising an immigration policy – an issue on which conservative members of the government refuse to move.

Gloomy growth outlook

THE Organisation for Economic Co-operation and Development has revised downward its growth estimates for the US, Japan and Germany, three stalled motors of international economic activity, Reuter reports from Paris.

Mr Jean-Claude Paye, OECD secretary general, told the Council of Europe's parliament in Strasbourg yesterday that a feeling of disappointment summed up the present situation among the 24 OECD nations.

In the US, gross domestic product was forecast to grow 3 per cent next year, taking into account inflation, rather than the 3.1 per cent forecast published in June.

This growth relied on an upturn in foreign demand, Mr Paye said.

The Japanese scenario was much bleaker, he said. Instead of the forecast 3.25 per cent real GDP growth in the second half of this year, the OECD now sees stagnation and growth of only 2 per cent for 1994.

This contrasts with a forecast increase in activity next year of 3.3 per cent.

German growth next year has been drastically marked down to not more than 0.5 per cent from the 1.4 per cent earlier forecast.

The other European nations would see mediocre performance.

Mr Paye pointed to the apparent failure of the US and European models of economic life in sustaining growth and jobs.

In the US, labour was highly mobile and competition speeded adjustments. In Europe, governments were more interventionist and there was a long-established social security system.

But there has been a stagnation or even deterioration in US average living standards and more than 30m people were classed as poor.

In Europe, unemployment was rising everywhere.

Mr Paye said it was vital that OECD countries' policies should succeed otherwise, "Fear of the future will continue to hold sway."

Victorious Abkhazian rebels on a shooting spree in Sukhumi yesterday. Separatists routed Georgian soldiers from the last corner of their rebel territory yesterday, advancing nearly 90km in a day. Since Georgian leader Eduard Shevardnadze flew from the war zone on Tuesday, leaving the smoking ruins of the local capital Sukhumi in Abkhazian hands after an 11-day siege, his countrymen have suffered defeat after defeat.

Better lending terms for small businesses urged

BELGIUM, which holds the EC presidency, yesterday proposed improving loan terms from banks and lower taxes to help pull small and medium-sized businesses in Europe out of recession, Reuter reports from Brussels.

The European Community had to do more to help these companies, which employ 75 per cent of the EC workforce, Mr André Bourgeois, Belgian minister for small and medium-sized companies, said yesterday.

More than 99 per cent of the EC's 15.7m private-sector companies would be affected – with more than 14.5m employing fewer than nine people apiece, according to Commission statistics.

Belgian companies employing fewer than 50 people pay corporate tax at 28 per cent, while larger companies pay 39 per cent. Most EC countries have only one rate.

The minister's EC proposal does not specify what level of corporate tax should be set EC-wide for smaller businesses.

The European Commission is working on a proposal which would leave such businesses free to choose between corporate tax and a tax on revenue, a Commission official told Reuter.

"Corporate tax is better for companies that invest a lot, but tax on revenue could help a lot of small ones," he said.

Mr Bourgeois welcomed Spain's decision last week to exempt from tax for a year corporate profits kept back and reinvested.

The Belgian plan, which will be discussed by ministers in charge of the EC's single market in November, also calls for better access to bank loans at better rates but some fear it will only remain a set of good intentions. Mr Bourgeois expressed concern about the lack of progress in setting up the European Investment Fund agreed by the EC summit in Edinburgh last December.

The Ecu2bn ($2.3bn) fund to finance EC-wide infrastructure networks and help small and medium-sized companies create jobs is still far from being launched, thanks in particular to the lack of interest shown by private banks in contributing to its capital.

A proposal to subsidise loans to small businesses by up to 3 percentage points is also blocked. "The 3 per cent proposal was questioned by Britain," Mr Robert Urbain, Belgian external trade and European affaire minister, said.

NEWS: WORLD TRADE

Sutherland seeks urgency on trade talks

By Frances Williams in Geneva

MR Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, yesterday called on negotiators to redouble their efforts to conclude the seven-year-old Uruguay Round of global trade talks hy the December 15 deadline.

Addressing a stock-taking meeting of Gatt's overseer Trade Negotiations Committee, he said the overall picture was "not a bad ona" but mnch more needed to he dona – urgently.

He expressed particular concern about blockages in the negotiations on improving market access for imports of farm goods and textiles – both areas of critical interest for developing countries.

Mr Sutherland said he had asked Mr Germain Denia, chairman of the market access negotiating group, to give these areas "very special and urgent attention", and would intervene himself if necessary. "A larger share of the responsibility for movement must lie with the major players," he added.

The director-general, who has been circling the globe to enlist support for the round from political leaders, said afterwards he would travel to Tokyo this month to meet Mr Morihiro Hosokawa, Japan's prime minister, and other senior ministers.

Top of the agenda will be Japan's reluctance to liberalise its closed rice market, now emerging as an important obstacle in the negotiations on lowering trade harriars for farm goods.

Tha trip will also include Singapore, where Mr Sutherland will meet ministers from the Association of South-East Asian Nations. Liberalisation of financial services markets in these countries is seen as critical to the success of negotiations in Geneva on market opening for foreign services.

The timetable for the Uruguay Round talks, agreed last July, says the shape of the overall market access package for goods must be clear by mid-October, with a further month to complete detailed tariff schedules for each country. As of yesterday, 58 countries (the EC counting as one) had made comprehensive tariff offers.

However, talks on lowering trade barriers for farm goods have been delayed by uncertainty over the future of the US/EC Blair House accord on agricultural subsidies.

On industrial goods, Mr Sutherland said yesterday that the "unfinished agenda", left over from last July's agreement on tariff cuts between the four leading traders, was holding up the negotiations.

S Korea finds two sides to high yen

By John Burton in Seoul

THE RISE of the yen is proving to be a double-edged sword for South Korea, illustrating the complexity of its economic relations with Japan.

On the one hand, South Korea is enjoying an export boom and taking business from Japanese competitors as its price competitiveness improves with the won's 18 per cent fall against the yen this year.

On the other, Korean companies are having to pay more for the vital Japanese machinery and components on which their industries are highly dependent.

On the plus side, Korean shipyards expect to receive a record number of orders in 1993 and surpass Japan as the world's higgest shipbuilder.

Car manufacturers predict that ahipments could match the export peak of 576,000 vehicles reached in 1988.

The country's three main electronics companies reported that their exports of semiconductors and consumer products rose 52 per cent dnring the first half of 1993.

Analysts predict that Korea's trade balance could record a slight surplus in 1993 after four years of deficits.

Particularly encouraging is the growing number of industrial orders from Japan, which has maintained a persistent trade surplus with Korea since it established diplomatic ties with its former colony in 1965.

Japanese companies are buying more steel products, petrochemicals, vehicle parts and ships from Korea.

But this does not mean that Korea's trade deficit with Japan will shrink.

"As Korea's exports increase, the more industrial parts it needs to import from Japan," says Mr Stephen Marvin, head of research at Jardine Fleming Securities in Seoul.

He predicts that Korea's trade deficit with Japan will increase alightly to $8bn in 1993 from last year's $7.9hn. The import of Japaness machinery and components heavily outweighs Korea's trade surplus in agricultural and consumer goods to Japan.

The trade deficit with Japan would be even larger if Korea had not virtually banned more than 250 Japanese products, inclnding cars and consumer electronics, during the last two decades as part of an "import diversification policy".

The rising cost of Japanese industrial equipment is also causing prohlems for the Seoul government as it tries to revive the ailing economy.

It planned that industrial investments would be the main engine for boosting domestic demand and increasing gross national product growth above last year's 4.8 per cent, the slowest since 1980. But Korean companies are reluctant to expand their facilities when the cost of Japanese equipment is so high.

Korea imports 35 per cent of its machinery from Japan and 40 per cent of its electronic components.

The Ministry of Trade, Industry and Energy recently estimated that the trade deficit with Japan would grow to $9.8bn by 1998, although its ratio to the Korean GNP would decline from 2.7 per cent to 1.5 per cent.

The reason for the persistent gap is that during Korea's rush to industrialise in the 1960s and 1970s, it neglected to develop an adequate network of subcontractors to supply components to the country's big conglomerates.

In addition, Korean businessmen acknowledge that Japanese production equipment is of superior quality and cost efficient.

The government has partly succeed in reducing dependence on Japanese technology by promoting the local production of some capital goods.

State financing of Won588bn ($726m) in soft loans will be provided in the next five years to small and medium-aized businesses for the development of 3,500 machinery items and components now imported from Japan. Tax breaks are also being offered to Korean companies that buy domestic production equipment.

Seoul believes the long-term solution to the trade problem is the transfer of Japanesa technology to South Korea.

But Japan fears that supplying advanced technology to Korea would only enable it to hecome a more formidable competitor. Mitsuhishi, for example, was dropped from the recent competition to hulld Korea's high-speed train hecause It refused to accept Seoul's dsmands for technology transfers.

Although Japan has been the biggest foreign investor in Korea, it now prefers to invest in south-east Asia and China because Korean wages are the highest on the Asian mainland.

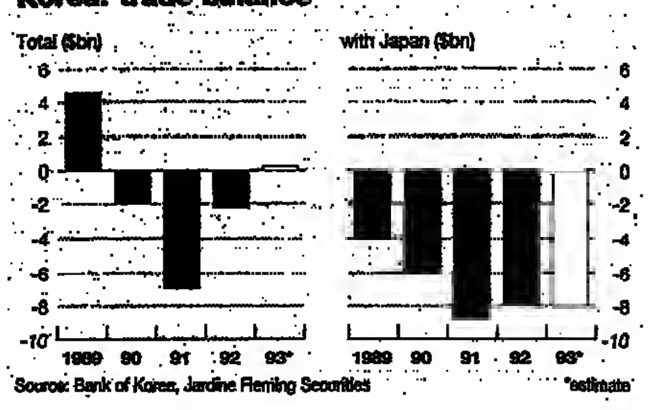
However, Tnkyn last yaar agreed to help establish a $20m foundation thet would funnel technology from Japanese to Korean companies.

The action was seen as an attempt to defuse mounting criticism against Japan for its use of Korean women as military prostitutes, or "comfort girls", during the second world war.

In return, Seoul agreed to allow Japanese trading houses to expand their operations in Korea, although limiting their role to exporting Korean products. It banned them from import activity.

It also plans to halve the number of Japanese products on the import ban list from the current 258 ltems by 1998. Japan will also be given the same intellectual property protection that Korea has granted to the EC.

Korea: trade balance



Source: Bank of Korea, Jardine Fleming Securities *estimate

Gephardt hopeful of changes to Nafta

CONGRESSMAN Richard Gephardt, leader nf the majority Democrats in the US House of Representatives, has held out the possibility of measures that would modify the North American Frea Trade Agreement enough to hring him to vote for it, writes George Graham in Washington.

Mr Gephardt last week announced that he would vote against Nafta as it stood, since side agreemants on anvironmental and labour issues negotiated by President Bill Clinton still left it deficient.

However, Mr Gephardt said he was considering mechanisms to address his two concerns about labour rights and wages in Mexico, and the financing of environmental and infrastructure work along the US-Mexican border.

While President Carlos Salinas de Gortari of Mexico has promised an increase in Mexicn's minimum wage in line with productivity gains, Mr Gephardt said he was lcoking at ways of tying wages to productivity.

For funding work along the Mexican border, Mr Gephardt said he favoured a fee on any ltem that crossed the border in either direction.

Tokyo approves imports of rice

By Emikn Terazono in Tokyo

THE Japanese government yesterday officially approved plans to import rice so as to cope with the worst harvest since 1945, after an nnusually cool summer and a spate of typhoons.

Mr Eijiro Hata, agriculture minister, yesterday said plans to import 200,000 tonnes of rice by year-end, as an initial instalment, were among the government's emergency measures along with financial relief for farmers.

The decision comes ahead of the visit hy Mr Mike Espy, US agriculture secretary, on October 10-13. The US government is calling for Japan to use the rice shortage as an opportunity to open lts rice market.

However, Tokyo yesterday stressed that the emergency step would not lead to a liberalisation of the country's rice market.

Mr Masayoshi Takemura, chief cabinet secretary, said the emergency imports were separate from the rice issue being discussed within the Uruguay Round of multilateral trade negotiations.

The government said the rice harvest index was at a record low of 80, against an annual average of 100. Production for the year is expected to fall to 8m tonnes, from an annual average of 10m. Agriculture Ministry officials have suggested that more than 1m tonnes would be imported.

European and US drug sales growth declines

By Paul Abrahams

EUROPEAN and US drugs sales growth decelerated rapidly during the first six months of this year. The Japanese market continued to recover following price cuts last year.

The European prescription drugs market, hit by healthcare reforms in Germany and ltaly, actually fell from $25.2bn (£16.3bn) to $23.4bn, although the figures were affected by exchange rates. In local currencies, drugs sales in pharmacies in the seven largest European markets rose only 1 per cent, according to IMS International, the specialist market research group. That compares with 10 per cent last year.

The German market fell from $7.1bn to $6.3bn – a drop of 11 per cent in D-Mark terms.

The decline in Germany is even more serious for tha research-based drugs groups selling patented products. This is because the headline figures mask a considerahle increase in prescribing of off-patent medicines by generics companies. The 11 per cent overall drop in sales compares with an increase of 9 per cent in West Germany during the first six months of 1992.

Prescriptions sales in France continued to grow, np from $5.9bn to $6.2bn, a rise of 7 per cent in local currencies in spite of govarnment efforts to restrict prescrihing. The UK market fell in dollar terms from $2.7bn to $2.5bn, but rose in local currencies by 11 per cent.

The US, the largest single drugs market, was sluggish, with growth of only 3 per cent, from $17.5bn to $18.5bn. That was in spite of an ageing population and the launch of innovative products.

The Japanese market was up from $6.1bn to $7.7bn – a rise of 13 per cent.

Senate bill paves way for $2.5bn for former Soviet states

US votes on Russian aid

By George Graham and John Gapper in Washington

RUSSIA yesterday agreed on terms for rescheduling $1.1bn of debt repayments to the US, as the Senate passed a bill paving the way for $2.5bn (£1.6bn) of aid to Russia and the other states of the former Soviet Union.

The Senate voted overwhelmingly in favour of a $13bn foreign aid bill and sent the legislation to President Bill Clinton for signature.

Within the $2.5bn total allotted to the countries of the former Soviet union, $300m was specifically earmarked for Ukraine. Congress also renewed conditions it wants Russia to fulfil before its share of the aid is released.

The principal condition which Russia has not yet met is the withdrawal of its troops from Latvia and Estonia. The bill gives the president the right, however, to waive this condition if he determines it is in the US national interest.

Congress has burried to complete its work on the aid bill in an effort to demonstrate US support for President Boris Yeltsin in the power struggle in Moscow.

"It is in our best interest to put our faith and hope in democracy in Russia," said Senator Patrick Leahy, chairman of the Senate subcommittee handling foreign aid money.

"I think that the United States and the free world ought to hang in there with a person that is clearly the most committed to democracy and market reform of all the people now operating in Russia," added Mr Clinton.

Aid to Russia and other countries will, however, be cut by the amount of parking fines left unpaid by their diplomats in Washington.

Complex manoeuvring to find room for the aid package within the tight constraints of the US budget meant that the bill needed to be signed into law by midnight last night, when the US fiscal year ended.

Meanwhile, Mr Clinton extended new trading privileges to Russia by adding it to the list of countries benefiting from the Generalised System of Preferences, while Mr Lloyd Bentsen, the Treasury Secretary, signed an agreement rescheduling Russia's bilateral debt with the US.

The agreement follows a similar bilateral arrangement between Russia and Germany covering $5bn in repayments. Mr Alexander Shokhin, Russia's deputy prime minister, said Russia would pay close to $1bn to its creditors in the Paris Club of lender governments in the next week, adding that Russia would also need to reschedule its $18bn of debt service falling due next year.

Other elements of the foreign aid bill include authorisation for the White House to lift restrictions on the Palestinian Liberation Organisation, and to write off debts owed by low income countries.

It provides $1.02bn for the International Development Association, the World Bank unit which provides low interest rate loans to the very poorest countries – less than the $1.25bn a year which the US had pledged for the next three years.

As expected, the bill includes no money at all for the *European Bank for Reconstruction and Development.*

● Peter Norman adds from Washington: Mr Lewis Preston, the World Bank president, said the bank was "frustrated" in its lending efforts by constitutional problems in Russia.

He said some credits approved by the bank's executive board had not been activated. These included financial assistance for privatisation and a social safety net in Russia.

World Bank chief sees more cash needed for Palestinians

By Peter Norman, Economics Editor, in Washington

INTERNATIONAL financial support for the West Bank and Gaza Strip could be as high as $2.5bn in the next five years, according to senior Israeli and World Bank officials

Speaking on the eve of an international conference in Washington to co-ordinate support for the occupied territories, Mr Lewis Preston, World Bank president, said yesterday be believed the Palestinian regions could require about $500m annually over five years.

Mr Jacob Frenkel, Israeli central bank governor, told the Financial Times that the territories' needs could be $400m-$450m a year in that period. Also, the international community needed to find a mechanism to inject resources into the territories in the short run, so as to provide support for the peace process, he said.

These estimates mark a considerable increase in the medium-term, compared with earlier World Bank estimates of a $3bn financing required over 10 years.

The scaling-up reflects the anticipated higher costs of absorbing refugees returning to the territories, as well as spending on new infrastructure and institutions.

Mr Preston told a news conference that a World Bank mission will go to the territories next week to identify specific projects that need support. In the next two weeks, the bank's executive board will be asked to authorise a $50m two-year programme of concessional finance for the territories through the International Development Association (IDA), the bank's soft loan facility. The board will also be asked to approve $4m technical assistance over two years.

Moves to bolster the economies of the territories shift into a higher gear today when officials from more than three dozen countries meet in Washington to pledge support to an international aid effort.

It is understood that the US is prepared to provide $500m. The European Community has promised $600m over five years, Japan has said it will provide $200m over two years. Mr Frenkel said that Israel would also provide finance for the territories.

Mr Preston yesterday said the World Bank was willing to take over co-ordination of the aid effort. However, there are legal problems to be overcome before bank funds can flow to the Palestinians.

The World Bank can only lend to entities with a government guarantee. This rule would seem to exclude lending to the territories, but there are precedents for other countries guaranteeing loans.

Some years ago, the bank lent to Papua New Guinea on the strength of an Australian government guarantee.

● Vietnam should obtain its first loan from the World Bank since 1978 in the course of this month.

Mr Preston told a news conference at the end of this year's annual meetings of the International Monetary Fund and World Bank that the bank expects to make a $71m loan, as part of a total $350m lending programme to Vietnam this year.

Clinton approval rating up to 56%

PRESIDENT Bill Clinton, aided by the PLO-Israeli landmark accord and favourable reaction to his US health reform plan, has risen to a 56 per cent approval rating among US voters, Reuter reports from Washington.

Mr Clinton, whose popularity plunged soon after be took office in January, has climbed back above the 50 per csnt level for the first time since April, according to the poll by CNN, USA Today and Gallup. It found that 56 per cent of Americans approve of the way Mr Clinton is working, while 36 per cent disapprove.

Mr Clinton took office in mid-January with 58 per cent approval, but fell to a record low of 37 per cent by June, after White House gaffes.

Americans appear to have renewed faith in his foreign policy skills, with 55 per cent approving, compared with 32 per cent disapproving.

A poll last month – before Mr Yassir Arafat, PLO leader, and Mr Yitzhak Rabin, Israeli prime minister, came to the White House to sign guidelines on Palestinian self-rule – sbowed Mr Clinton with 46 per cent approval on foreign affairs.

US personal incomes rise as new home sales fall

By Michael Prowse in Washington

US personal incomes rose more than expected last month, but sales of new bomes fell sharply, according to economic data released yesterday.

The Commerce Department said personal incomes rose 1.3 per cent last month after a 0.3 per cent declina in July. However, tbe figures were distorted by flooding in the Midwest, which sharply rednced farmers' incomes in July.

Economists at C J Lawrence, tbe New York broker, said incomes probably rose by 0.5 per cent and 0.6 per cent respectively in Jnly and August.

Personal consnmption spending rose 0.4 per cent last month, the same pace as in July. The figures point to an increase in real consumer spending in the third quarter at an annual rate of about 4 per cent.

Sales of new homes fell 3.1 per cent last month and by 1.4 per cent in the year to August.

Brazil to review country's basic law

By Angus Foster in São Paulo

BRAZIL is due to begin next Wednesday what could be a profound constitutional revision, which the governmant and business leaders hope will belp to solve some of the country's prohlems.

The revision, due to last at least until year-end, is in accordance with the 1988 constitution, which called for a review after five years. Even so, the revision was in doubt because of opposition by left-wing politicians and church groups, who fear it could undermine workers' rights.

Likely to be reviewed are bans on foreign investment in sectors such as mining, and government monopolies in telecommunications and oil. Proposals to amend workers' rights and job security for civil servants are unlikely to be tabled as they are politically too divisive.

The Congress voted late on Wednesday to initiate its review, after noisy protests from opposition groops. Under tbe process, ths constitution can be amended by simple majority, compared with 60 per cent majorities in both chambers of Congress now required for any constitutional change.

Supporters of the review say it could help resolve economic problems such as the federal government's deficit.

They blame the budget deficit on large transfers, required by the constitution, from the federal government to states and municipalities. Reduction of these transfers, or of the federal government's other obligations, would bring down the deficit and help reduce inflation, they argue.

Californian firefighters made progress yesterday in containing a fire that has burned more than 30,000 acres of brush in the Los Padres National Forest area and threatened the ranches of several celebrities. No damage or injuries were reported yesterday but the fire was only 30 per cent contained. Authorities believe cigarettes discarded by deer hunters started the blaze Picture: AP

Argentine voters set to endorse reforms

Menem's liberalisation has become Peronists' biggest electoral asset, writes John Barham

THE RULING Peronist party in Argentina is virtually assured of victory in Sunday's mid-term congressional elections. Pollsters expect the government to take about 40 per cent of the votes, against 30 per cent for the opposition Radical party.

The elections, for half the 257 seats in the Chamber of Deputies, should confirm therefore tha popularity of President Carlos Menem and his free-market economic policies, ensuring continoed political stability to enable the government to deepen economic reforms.

In the four years since be took office, Mr Menem has implemented far-reaching economic liberalisation which has brought low inflation and rapid growth. These policies bave become the government's biggest electoral asset.

Mr Manuel Mora y Araujo, a leading pollster, says: "Economics are fundamental. People may say ths government has many defects, that it's inefficient and corrupt, but at least it does certain things well. You don't change horses in midstream."

Whatever the result, nobody expects economic stability to be affected. Mr Pedro Lacoste, a husiness consultant, expects inflation to continue falling to 4 per cent in 1994 from a forecast 8 per cent this year. Growth of 5 per cent this year is expected to continue into 1994.

But victory on Sunday will probably not be enough for Mr Menem to gain the support of the two-thirds of Congress he needs to change the constitution, which bans successive presidential terms, and run for a second term wben his mandate ends in 1995. The Peronists bold only 45 per cent of seats in the Chamber of Deputies and the poll on Sunday is not expected to increase that.

Even so, Mr Menem intends to keep up the pressure for his re-election. He said on Wednesday he would call a plebiscite on the issue. This, bowever, would not be binding on Congress.

Whetber or not he has to ahandon his ambition to remain in office, the congressional election result is likely to suggest he will remain sufficiently powerful to designate his successor, via presidential elections due by Decamber 1994. The outcome of the elections on Sunday, in whicb all the main Peronist presidential candidates are participating directly or indirectly, will narrow the field.

Mr Eduardo Duhalde, former vice-president and now governor of Buenos Aires, Argentina's wealthiest province, should benefit from a decisive victory over the Radicals. A coalition assemhled by Mr Ramón Ortega, governor of the poor north-western province of Tucumán, is expected to get 43 per cent of the vote, against 16

Menem: Announced plebiscite

per cent for the opposition.

The great unknown is the economy minister, Mr Domingo Cavallo, wbo has become Mr Menem's most powerful and most popular minister. He has fielded a trusted aide to lead the Peronist campaign in his bome province of Córdoba, a Radical bastion. He has played a leading role in the campaign. If the Peronists perform well tbere, by running the Radicals close, than Mr Cavallo's supposed presidential ambitions – which be denies – will gain added strength.

The political future of three powerful Radicals is also in the balance. Mr Eduardo Angeloz, the conservative governor of Córdoba and Mr Menem's opponent in the 1989 presidential election, has the most to lose by a strong Peronist performance. Mr Federico Storani, a left-leaning politician, has campaigned well in the Peronist heartland of Buenos Aires province and could mount a credible challenge for the party leadership.

Senator Fernando de la Rua, a veteran centrist politician, is masterminding the Radical effort in the city of Buenos Aires, wbere the party is traditionally strong. However, be has picked weak candidates and the Peronists – led by Mr Ermán Gonzalez, a former economy minister – are expected to do well. Mr Mora y Araujo doubts fringe politicians on the extreme left and right will be able to gain much ground.

The Radicals are riven by Intarnal divisions and will almost certainly pay the price with yet another electoral defeat – their fourth consecutive reverse. A rout in the 1987 mid-term elections led to the collapse in 1989 of President Raúl Alfonsín's Radical government, amid hyperinflation and social upheaval.

The election on Sunday demonstrates the growing solidity of Argentina's political system. It is 10 years since the military returned government to the civilians after a fierce seven years in power. The stresses that led to six military coups since 1930 have largely disappeared. Despite widespread criticism of the arrogance and corruption of their politicians, few Argentines question the legitimacy of the democratic system.

Mr Lacoste hopes the government will seize the initiative and use its remaining 22 months in office to implement overdue plans to reform the rigid labour market, crack down on widespread tax evasion, and improve its inefficient and corrupt social policies.

Above all, the pace of liberalisation cannot slacken: "There is a great dynamism and flexibility, making many sectors competitive. It's a question of time, as country-risk declines, [before] an infinity of projects will become attractive."

Output down in Japan for 23rd month

By William Dawkins in Tokyo

JAPAN'S industrial production fell an annualised 2 per cent in August, declining for the 23rd month in a row, the longest on record.

The decline was the smallest year-on-year drop in industrial output in any month since March, but not as severe as the market had expected.

Yet the recovery outlook is clouded by a 0.7 per cent month-on-month rise in inventories in August, the fourth consecutive monthly increase, said the Ministry of International Trade and Industry.

This indicates that production is still ahead of weak demand, despite a series of workforce reductions and curbs on output from Japan's largest companies recently. Stocks of unsold air conditioners, due to an unusually cool summer, were a factor in the inventory rise, said Miti.

"The economy is still crawling along the bottom and it is too early to say whether it will dip again or not," said a Miti official. Mr Geoffrey Barker, economist at Baring Securities in Tokyo, added: "There can be no autonomous recovery while inventory levels remain so bloated."

Month-on-month, industrial production fell 0.7 per cent in August and is set to creep back by 0.7 per cent in September, only to subside again by 3.5 per cent in the following month, said Miti. The previous record for a fall in industrial output was a 20-month run of declines in the wake of the 1973-74 oil shock.

Not every sector is in hibernation, as shown by a 10.9 per cent year-on-year rise in housing starts for August, reported by the Construction Ministry yesterday.

That is the 15th monthly rise running, a reflection of the fall in interest rates and the impact of an increase in low-cost government housing loans. Applications for state-funded mortgages doubled from April to early August. The number of houses for sale rose 25 per cent in August after a 23.1 per cent rise in July.

However, the growth in housebuilding was not enough to lift the construction industry from its recession in August. Japan's top 50 contractors reported a 25 per cent decline in August orders, the seventh month running in which they have seen order books shrink. A spate of scandals, resulting in the arrest of executives from five leading construction companies over the past two weeks, has dampened activity.

LDP haggles over policy in unfamiliar opposition

By Robert Thomson in Tokyo

JAPAN'S Liberal Democratic party, which ruled for 38 years until this summer, spent its first national convention as an opposition party haggling over what policies should be opposed and angering its elders by proposing that a mandatory retirement age be introduced.

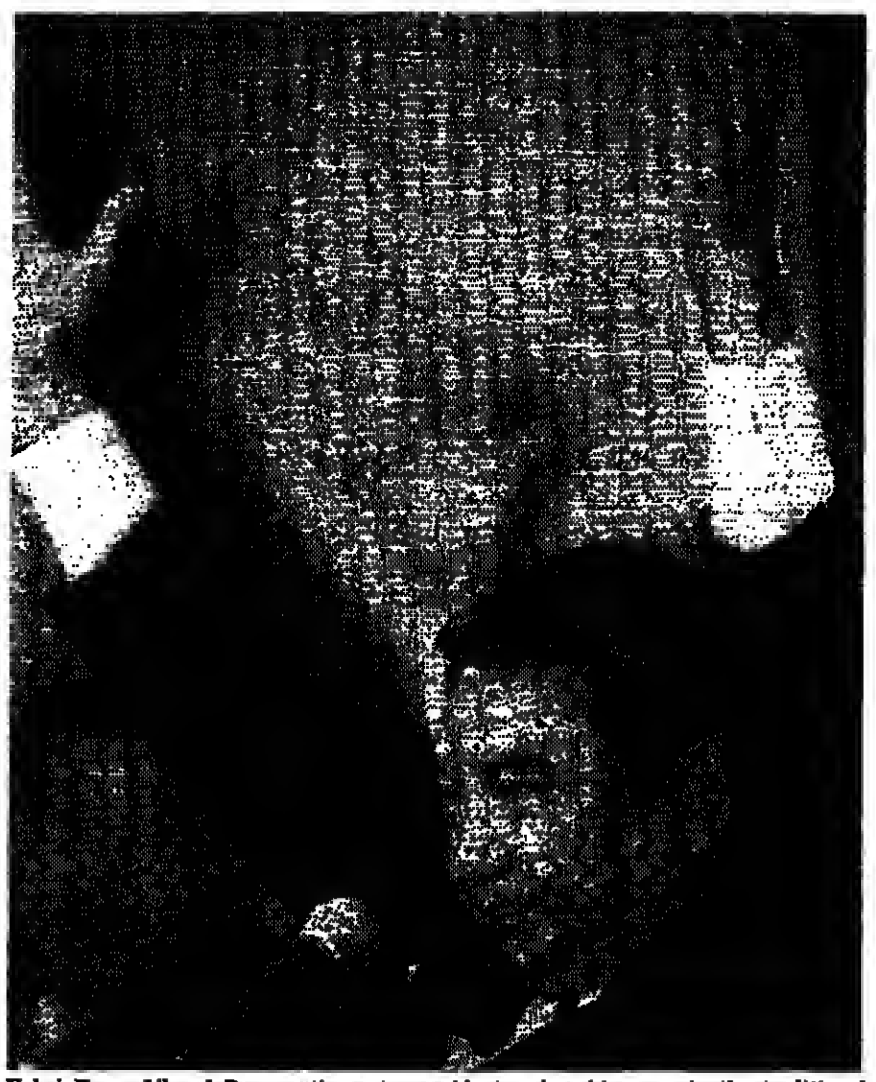
The LDP has yet to come to terms with life in opposition, and the party's confidence has been eroded by fears that public prosecutors will soon arrest a few of its MPs for funding offences committed while in government.

Prosecutors yesterday arrested a fourth executive at Shimizu, a leading contractor, for his role in the alleged bribery of a prefectural governor, who has been charged with accepting Y55m (£344,000) in bribes from another construction company, Hazama.

During the convention, Mr Hiroshi Mitsuzuka, an LDP faction head, was questioned by delegates over his links to a separate incident, the arrest this week of Mr Shuntaro Honma, governor of Miyagi, north of Tokyo, for allegedly accepting bribes from construction companies.

Mr Mitsuzuka said he was surprised that Mr Honma allegedly collected Y20m from a construction company for a recent election, as his advice to the governor was "wage a clean campaign". He now believes the party "should carry out a sweeping political reform".

But one of the reforms discussed at the convention was the abolition of factions, such as that presided over by Mr Mitsuzuka, which have traditionally been used to raise funds for candidates and ensure that there is an orderly queue for ministerial appointments.



Yohei Kono, Liberal Democratic party president, raises his arms in the traditional shout of "banzai" at the end of his party convention yesterday Reuter

Mr Yohei Kono, the party's leader, said factions would be made redundant by the passage of political reform bills, though he is the member of a faction himself and owes his appointment to bloc voting by factions.

The party could not agree on whether an age limit should be set for its candidates, and Mr Kono was uncertain whether he would punish senior MPs implicated in corruption scandals. He said the party must restore its scandal-tainted image, but then would not commit himself to a policy to expel members linked to scandals.

Who Knows Whom to be SA bestseller

Patti Waldmeir on ANC links in a publishing joint venture

WHEN does a fledgling investment company with no track record, no assets to speak of, inexperienced management and no publishing expertise become the perfect joint venture partner in a potentially lucrative publishing deal? When that company has the probable future government of South Africa on its side.

Thebe Investment Corporation, a black-managed company which has strong links with the African National Congress, this week announced it had reached agreement with Macmillan of the UK to launch an educational publishing company. Thebe will own 42.5 per cent of the new company, Macmillan 47.5 per cent and an existing small black-owned publisher, Skotaville, 10 per cent.

Though all parties to the deal deny this, rivals believe that Thebe will use its excellent contacts with the ANC to see that the new company gets lucrative contracts to publish school textbooks – just as the ruling National party has for decades steered important public sector contracts the way of Afrikaner businesses which have in turn helped bankroll the party.

The party channelled state business to other members of the white tribe of Africa, with the aim of lifting Afrikaners out of poverty and strengthening their hold on power.

The Thebe deal has caused consternation in South African business circles, because the only apparent rationale for it is political. Many South Africans fear the country's new rulers will take their principles of governance straight from the National party.

Black empowerment – the mirror image of Afrikaner upliftment – is Thebe's primary goal, says Mr Vusi Khanyile, managing director. Mr Khanyile was formerly head of the ANC finance department; another member of the Thebe board, Mr Tokyo Sexwale, is a chairman of the ANC in the powerful region around Johannesburg and is one of its most prominent leaders; a third board member, Mr Enos Mabuza, has strong personal links to the ANC though he holds no official position.

Mr Nelson Mandela, ANC president, and Mr Walter Sisulu, deputy president, are trustees of the Batho-Batho trust, Thebe's sole shareholder.

Mr Khanyile angrily denies suggestions that Thebe is an ANC company, and insists that the political affiliation of Thebe board members is irrelevant.

"Our links with the ANC have nothing to do with the viability of our business or the market share it will have," he says, denying that Macmillan can expect privileged access to the R500m (£100m) educational publishing market.

Still, he adds: "Business must ensure that it is in harmony with the environment in which it operates. Thebe tries to remain in harmony with that environment. So we wouldn't go out of our way to make enemies with any political organisation."

Thebe was set up late last year, relies almost entirely on loan capital and has been plagued by frequent press reports of financial problems and alleged irregularities since its launch. Asked why Macmillan should strike a deal with a company such as Thebe, Mr Khanyile says only that Thebe is the biggest black investment company.

This claim is impossible to assess, as Thebe discloses no financial details of its operations. In any event, Thebe is not the only black company Macmillan could have chosen. It is simply the best connected.

Mr Christopher Paterson, chairman of Macmillan's southern African operations, says of the deal, which will involve an initial investment of R2m from the three partners: "It is a conscious act to come in and redress the balance in educational publishing by starting a company which in its demographic make up reflects that of South Africa" and which gives a high priority to black employment.

Other businessmen dismiss these as "pious platitudes". One director of a leading corporation says: "It's but a step to a Nigerian situation where no business is done on commercial logic. It's all done on ... who you know."

"Thebe adds no value to this deal," says another. "It could well lend itself to abuse."

A disgruntled publisher adds: "One group of nationalists are just taking over the levers of power from another group of nationalists." Many fear that in this, as in other areas of public life, the new South Africa could end up having far too much in common with the old.

UN sends biggest weapons team to Iraq

By Mark Nicholson in Cairo

MR ROLF EKEUS, United Nations envoy, is due to arrive in Baghdad today on a mission to persuade Iraq to begin implementing permanent, long-term UN monitoring of its weapons programmes – agreement to which could pave the way to the lifting of sanctions.

Mr Ekeus, head of the UN special commission on Iraq's weapons of mass destruction, will join the biggest team of weapons inspectors to visit Iraq since the Gulf war, which yesterday began what it hopes could be a definitive investigation of Iraq's existing weapons capabilities.

The combined UN effort – perhaps the most critical since inspections began immediately after the war – comes amid signs that Iraq's political and financial stamina in weathering the three-year-old sanctions may be failing, and that President Saddam Hussein is trying with greater urgency than ever to win back the right to export Iraqi oil.

The 50-strong UN team will spend more than a month making surprise visits to declared and undeclared weapons sites, verifying information provided by Iraq during high-level technical talks on their military programmes held this month at the UN in New York.

Iraq also promised to hand over details of the complex and secret international supply network which fed its chemical, biological, ballistic and nuclear weapons programmes before the Gulf war – data Iraq has otherwise withheld.

Full co-operation by Iraq during the inspection could thus go a long way to satisfying the UN that Baghdad had destroyed all weapons of mass destruction prohibited under the terms of UN ceasefire resolution 687. Provision of procurement details is considered vital to prevent Iraq from rebuilding its military machine. "This inspection is expected to provide us with enough information for us to close a chapter," Ms Anne Hecht, a special commission official, said from Bahrain.

Iraq last week agreed that video cameras, installed at two missile test sites as part of the long-term monitoring, could be switched on – a move Mr Ekeus made a condition of his visit to Iraq to continue the technical talks.

Poll wants Patten to dilute plan

By Simon Davies in Hong Kong

AN OPINION poll released on the eve of the meeting today between the foreign ministers of Britain and China to discuss political proposals for Hong Kong has indicated that the people of the territory want to see the democratic blueprint of Governor Chris Patten proceed rapidly, but in a diluted form.

A University of Hong Kong poll found that 52.5 per cent of respondents wanted Mr Patten to put his proposals before the Legislative Council (Legco), the colony's parliamentary body, as planned in mid-October. Such a move would draw an aggressive response from China. Few, however, wanted the proposals to proceed unchanged.

While Mr Patten will be able to draw encouragement from the response, investors continued to speculate on the fate of the proposals. The Hang Seng Index, the main barometer of market sentiment, rose 125.12 points to an historic high of 7,676.22 amid suggestions that Britain was preparing to make snbstantial concessions to China over tha Patten plans.

The stock market rise was in part a reaction to a letter sent to British Foreign Secretary Douglas Hurd by Mr Martin Lee, leading pro-democracy Legco member. Mr Lee wrote: "It is widaly suspected that the British government does not have the backbone to follow through on its moral and political obligations to us and is on the brink of total capitulation to Beijing." Brokers take this as a positive sign.

Tension has been mounting ahead of the New York meeting between Mr Hurd and Mr Qian Qichen, his Chinese counterpart, and the governor's address to Legco on October 6.

UN chief seeks Libyan handover

By Mark Nicholson in Cairo

MR Boutros Boutros Ghali, the United Nations secretary general, was last night seeking an undertaking from Libya to set a time and place for the handover of two men suspected in tbe Lockerbie bombing. UN diplomats yesterday said Mr Boutros Ghali wanted a commitment to hand the pair over within two weeks.

However, the diplomats confirmed that Britain, France and the US would this morning present a draft UN resolution calling for tougher sanctions against Libya, given Tripoli's failure to hand over the suspects before today's deadline, set by the three on August 13.

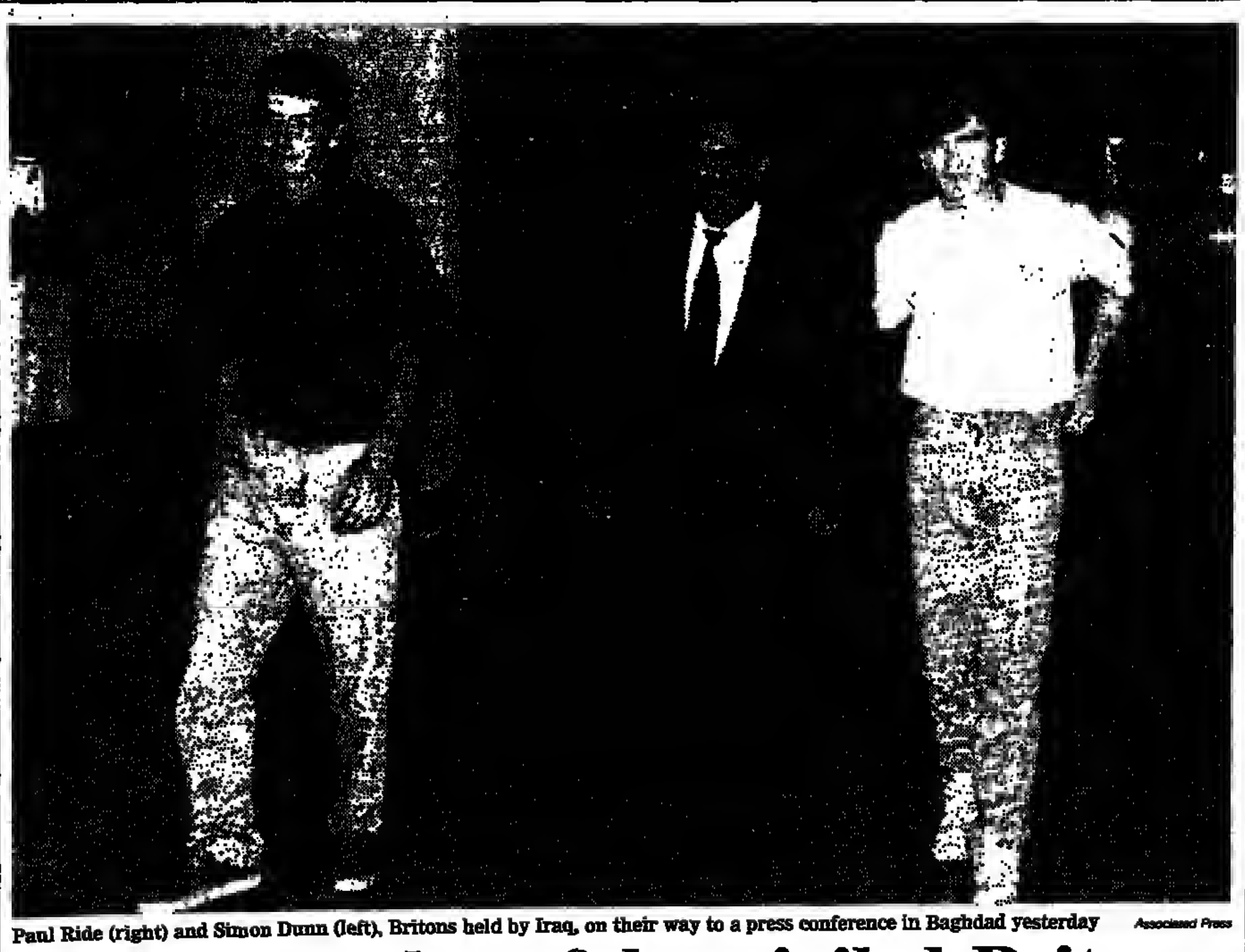
The resolution will be circulated around the 15-member Security Council immediately, but is unlikely to go to a vote for up to two weeks. It calls for the freezing of liquid Libyan assets held overseas, estimated to be worth $6.5bn (£4.2bn), and a ban on all exports of oil transit and refining equipment.

Mr Boutros Ghali was due last night to hold his third meeting in a week with Mr Omar al-Muntasser, Libyan foreign minister, and hoped to receive the undertaking in a letter from the Libyans. The meeting follows a Libyan statement on Wednesday that the government "had no objection" to handing over the two men for trial in a Scottish court, but that the decision to stand trial lay with the two men, Mr Abdel Baset Ali al-Meghrahi and Mr Amin Khalifa Fhimah.

In Tripoli, lawyers for the two suspects said they would meet the men on Monday or Tuesday to offer advice as to whether, in their view, the pair would receive a fair trial in Scotland. "It will then be up to them to decide," Mr Ibrahim Legwell, one of a team of defence lawyers, told Reuters.

British diplomats said last night they would become convinced of Tripoli's willingness to submit the two men to trial only when they ware physically handed over. "We're interested in actual activity, not just letters," said one.

But the sincerity of Libyan intentions was clouded slightly further yesterday by an attack in a Tripoli newspaper on the Foreign Ministry's stated willingness to allow the two men to be extradited.



Paul Ride (right) and Simon Dunn (left), Britons held by Iraq, on their way to a press conference in Baghdad yesterday Associated Press

Envoys not hopeful on jailed Britons

TWO British diplomats left Baghdad yesterday, saying they saw little prospect of an early release for three Britons jailed in Iraq for illegal entry, Reuter reports from Baghdad.

Later in the day, Iraq organised an unprecedented news conference by two of the Britons, but it was not immediately clear whether it pointed to any change in their status.

"It is clearly a political issue. Iraq is doing an injustice by detaining them," Mr Mark Le Goy, a consular official, told Reuter as he left for Jordan.

Mr Paul Ride and Mr Simon Dunn, two of the prisoners, later told tha news conference at a Baghdad hotel they were victims of circumstance.

"I am a victim of the situation whereby there is an area which is disputed. I was allowed to proceed as a civilian into a military disputed area, without being advised that I was approaching it or Iraq," Mr Ride said.

The two men said Kuwaiti border guards had not stopped or warned them, but Mr Ride added: "There is no point in apportioning blame." Mr Ride, Mr Dunn and Mr Michael Wainwright are in Abu Ghraib prison, west of Baghdad. Mr Ride is serving seven years and Mr Dunn eight for entering Iraq illegally from Kuwait.

Mr Wainwright, serving 10 years for cycling in via Kurdish rebel-held areas in the north, did not attend the news conference. "He is a little bit tired," Mr Khalid Jarjees, the Britons' lawyer, said.

Iraq last week released three Swedas jailed on similar charges, after Sweden's king had made a personal appeal to President Saddam Hussein.

Iraq has demanded that Britain unfreeze Iraqi assets in British banks, in return for the three men's freedom. Britain has ruled out any deal.

AP adds from Nicosia: Convicted PLO gunman Ian Davison, a Briton imprisoned eight years ago for killing three Israelis here, was freed yesterday and put on a flight to London, officials reported.

Mr Davison, 35, from South Shields in north-east England, was pardoned by Cypriot President Glafcos Clerides on Wednesday, to mark the anniversary of the island's independence from Britain.

Chinese airliner hijacked to Taiwan

A CHINESE man accompanied by his wife and their six-year-old son hijacked a Chinese airliner carrying 69 people to Taiwan yesterday, the fourth snch hijacking in six months, Reuter reports from Taipei.

The man, armed with a knife and carrying two bottles of ink which he claimed were explosives, hijacked the Sichuan Airlines jet while it was on a domestic flight from China's northeastern city of Jinan to Guangzhou.

The couple and their son, saying they wanted asylum in Taiwan, surrendered to police soon after the airliner landed at Taipei's international airport.

Mr Jason Hu, Taiwan government spokesman, rejecting a request by Beijing that the hijacker be returned to China immediately, said he would be tried for air piracy in Taiwan.

Chinese aviation officials have accused Taiwan of indirectly encouraging the hijackings by its refusal to send the hijackers back to China, where they would probably face the death penalty. Mr Ma Ying-jeou, Taiwanese justice minister, indicated yesterday that the island might eventually agree to repatriate hijackers in order to deter future incidents.

Newspaper reported alleged coup plot against king

Jordanian editor faces charges

JORDAN has charged a newspaper editor with contempt of court over coverage of an alleged coup plot against King Hussein days after arresting a reporter for the same offence, Reuter reports from Amman.

Mr Mohammed Hijazi, state security court prosecutor, said Mr Jamil al-Nimri, editor of the Arabic-language weekly al-Ahali, would appear in civil court on charges of contempt of tbe jndiciary, publishing court proceedings influencing a trial and breaching publications laws.

He said a reporter for the newspaper hald in jail for interrogation since Sunday on the same charges was released on bail yesterday.

Mr Nimri had been charged because he was responsible for the newspaper's coverage, he addad. Ten people, including five military cadets, are standing trial on charges of plotting to kill King Hussein in an alleged Moslem fundamentalist-inspired coup.

A new press law restricts journalists from reporting full details of testimony and other statements in the open court. Tha vaguely-worded law bas been open to interpretation by news organisations.

New Zealand may cut UK link

THE NEW ZEALAND government said yesterday it would abolish a key link with the British legal system and perhaps follow Australia's move towards becoming a republic, Reuter reports from Wellington.

Mr Jim Bolger, prime minister, said New Zealand would cut its legal link with Britain's Privy Council, the highest court of appeal for New Zealanders. "That's something that's being talked about in New Zealand and I'm sure we'll do that reasonably soon," Mr Bolger said on television. "It's part of nationhood in the sense of being totally in control of our own judicial system."

But he played down comments by Foreign Minister Don McKinnon that it might also dump the monarchy, saying: "It's not an issue the public are excited about in New Zealand."

Mr Paul Keating, Australian prime minister, has unveiled plans to abandon the monarchy and turn his country into a republic by the year 2000. Mr McKinnon told Radio New Zealand that Wellington might follow Australia – "Not with the same enthusiasm, but maybe [ending] up at the same destination a few years later."

Australia to face budget 'showdown'

By Nikki Tait in Sydney

AUSTRALIA'S opposition coalition yesterday gave notice that it intends to declare a debating "showdown" over the government's proposed budget bills next Tuesday, when the Senate resumes.

The proposed finance package – now split into eight separate bills – has been stalled for six weeks, because the government has been unable to secure necessary support from two minority parties – the Green party and the Democrats – which bold the balance of power in the Senate.

In a further effort to secure the budget's passage, Mr John Dawkins, the treasurer, has offered to phase in an increased sales tax on wine over a five-year period, and to provide cash grants, marketing funds and some other concessions to wine makers. The tax, as it stands, has been condemned by the wine industry, and has been universally rejected by the opposition and the two minority parties.

The response from the wine industry is proving mixed. Small wine makers yesterday expressed some interest in the Dawkins compromise, while tbs Winemakers Federation of Australia has rejected the deal. Mr John Hewson, opposition leader, said the coalition would continue to hold the line on the wine tax rise.

The government has meanwhile insisted it will delay any implementation of the personal tax cuts contained in the budget unless tbe Senate passes the proposed indirect tax increases by October 21.

Exports of UK steelwork up 20%

By Andrew Taylor, Construction Correspondent

BRITISH exports of steelwork for construction have risen by up to a fifth since sterling left the exchange rate mechanism last September, manufacturers said yesterday.

Invitations to tender for international contracts have risen even faster, according to a survey of orders received by the 12 largest UK constructional steel producers.

The study, by British Constructional Steelwork Association, showed companies had received international invitations to tender and requests for price quotations involving more than 400,000 tonnes of steel since last September. This compares with 20,000 tonnes the year before.

Just over half the inquiries to tender have come from Europe, particularly eastern Germany where construction demand has risen sharply.

The association measures inquiries for jobs involving 750 tonnes or more. A medium-sized supermarket would involve about 200 tonnes.

Mr Robin Booth, managing director of Bolton-based Booth Industries, said some continental companies with orders in the Middle East and Far East had bought cheaper UK steel in order to make the jobs more profitable.

Mr Rollo Reid, director of John Reid & Sons in Dorset, said: "Exports fell sharply after the Gulf war but have started to pick up during the past 12 months. East Germany and Poland, where there is a strong demand for British steel, have been particularly good markets."

Since January, the company has generated overseas sales of £6m, overtaking the £5m earned in 1992. "We have been quoting prices up to 25 per cent lower than local German fabricators," said Mr Reid.

Mr Joe Locke, managing director of Watson Steel, part of the Amec construction group, said: "Opportunities to bid for international work have increased considerably following sterling's devaluation. The largest order we have won since leaving the ERM is a £2m steelwork contract for a clothing distribution warehouse in northern Germany."

"British firms have much more expertise in erecting buildings with steel frames compared with the rest of Europe. This has allowed us to develop a technological lead in a number of areas which, allied to our advantages on price, is helping us to win valuable international work at a time when orders in the UK have been in short supply," said Mr Locke.

Conference delegates will hear party chairman stress policy links with the 1980s and soothe Major's critics

Tories offer olive branch to Lady Thatcher

By David Owen

CONSERVATIVE party chiefs are planning to offer an olive branch to Baroness Thatcher, the former prime minister, in an attempt to orchestrate a show of unity at next week's annual conference in Blackpool.

Sir Norman Fowler, the Tory chairman, intends to use his speech on the opening day of the conference next Tuesday to emphasise the continuity between current policies and the Thatcher reforms of the 1980s.

Sir Norman, a long-serving cabinet minister under Lady Thatcher, is likely to argue that her admirers have no reason to be hostile to the current leadership of Mr John Major.

This year's conference comes with the prime minister's position under threat after the party's disastrous performance in two recent by-elections.

Morale has been further sapped by an increasingly bitter internal argument over tax and spending ahead of next month's Budget. Combined with the continuing rift over Europe, this has given the impression of a party ravaged by civil war.

Lady Thatcher fanned the flames earlier this week by criticising the government's plans to extend value added tax to domestic fuel during an speech to party activists in Southend.

Party leaders are now bracing themselves for an interview with the former prime minister to be published in this week's Sunday Times, which is to start serialising her memoirs on October 10.

It is possible that if she lashes out again, the plan to accord her a warm welcome next week may be abandoned.

Lady Thatcher is expected to arrive in Blackpool on Wednesday night and to appear on the conference platform the following day to attend debates on employment and the economy.

This means she is likely to be present when Mr David Hunt and Mr Kenneth Clarke, two of the most left-leaning members of Mr Major's cabinet, are speaking.

The chancellor is almost certain to face calls both to rethink VAT on fuel and to rule out Budget tax increases altogether.

Evan if the leadership's plans to mend fences with Lady Thatcher are successful, there will be no shortage of opportunities for the party's divisions to spill into the open.

Mr Norman Lamont, the former chancellor, plans to address a fringe meeting on Thursday, just three weeks after his scathing criticism of current policies in a daily newspaper.

Lord Tebbit, the former party chairman, will also be active with three fringe appearances, culminating in a debate with Mr Clarke on the future of Conservatism.

● Mr Robin Cook, the shadow trade secretary, yesterday launched an attack on the City of London for "short-termism" and "its obsession on growth through acquisition". He called instead for a long-term policy of investment in industry.

He told the Labour party conference in Brighton that business practice needed to be overhauled to reverse the UK's decline in manufacturing industry.

Hostile takeovers were singled out for particular criticism, although the number of mergers and acquisitions has fallen significantly over the past year.

US miners join UDM British Coal bid

By David Lascelles, Resources Editor

JIM WALTER Resources, a US coal mining company, is to join a consortium of the Union of Democratic Mineworkers and East Midlands Electricity to bid for British Coal in next year's privatisation.

JWR, based in Alabama, is a subsidiary of Walter Industries, a building materials company which has taken refuge in Chapter 11 of the US bankruptcy code, following the launch of a $3bn asbestos lawsuit against it. The company claims that the suit is without merit, and it expects to win the case when it reaches the courts in December.

Walter Industries was the subject of a $2.4bn Wall Street buy-out in 1988. However, the asbestos lawsuit in 1989 prevented the company from making the asset sales necessary to service the large debt from the deal.

The company then went into Chapter 11, which protects it from its creditors while it reorganises it affairs. Mr Neil Greatrex, the president of the UDM, said yesterday: "We've been aware of this case from day one, and we don't think it's been any embarrassment to us whatsoever."

Mr Bill Carr, the president of JWR, said: "With a good result we could be out of bankruptcy proceedings quite quickly. If it goes against us it will take a more protracted effort."

The three-party consortium, which is being advised by investment bankers Kleinwort Benson, aims to put together an employee-led buy-out of British Coal.

It will study the details of the offer before deciding how many of the five parcels into which British Coal is to be divided it wants to bid for. But Mr Greatrex, whose union is based in Nottinghamshire, said that the parcel containing the Midlands pits would obviously be of greatest interest. Finance for the bid would be provided by employees, who would put up a maximum of £2000 each.

Mr Greatrex said he had chosen JWR because they were the only potential partner out of 40 companies contacted who talked about the long-term future of British Coal.

"We are not looking for people wanting to make a massive profit and get out." Durham-born Mr Carr, who spent his early life working for British Coal, said that UK mines were similar in geology, depth and gas to those worked by his company in Alabama.

Yet JWR's productivity was twice that of British Coal, and he believed that JWR could bring greatly improved methods to its pits. He praised "the good work ethic" of the UDM.

RISING PROBLEM: Engineer Dave Gowan pictured sinking a borehole for the National Rivers Authority to check water table levels in north-east England as scientists met to discuss the potential consequence of pit closures and the threat of rising mine water.

Scots fishermen seek end to EC quotas

James Buxton on a radical scheme put forward to help reduce the UK's fleet capacity 19% by 1996

SCOTTISH fishermen, who comprise the majority of the UK fishing industry, yesterday put forward a package of measures which they say would enable the government to scrap its highly unpopular scheme for restricting the number of days they may spend at sea, which is due to come into force in January.

In what could be a significant concession they say they would be prepared to accept limits on the amount of time they spend at sea, provided the UK abandoned the system of quotas on the quantity of fish they can catch, which is a central part of EC policy. The package of proposals, others of which are less radical than the scrapping of quotas, was put forward yesterday in response to an invitation from Mrs Gillian Shephard, the Agriculture Secretary, who had asked fishermen's organisations for their own suggestions on alternative ways of reducing the UK's fish catches.

Fishermen believe that the restrictions on the number of days they may spend at sea will cause them severe hardship. They object to the quota system which they believe has shaky scientific justification and which obliges them to throw back fish which they have caught in excess of their quotas.

The Scottish Fishermen's Federation proposes that the government abandons quotas, either unilaterally or in agreement with its EC partners. A "more equitable sea time system" would be introduced, but fishermen would be entitled to sell all the legally sized fish they have caught.

The federation accepts that this is a radical long term proposal but says it could be launched with an experimental one year moratorium on quotas.

For the short and medium term the federation proposes a number of measures. It says the government should speed up the government's £25m decommissioning scheme for fishing boats from three years to two and put more money into it.

Fishermen should be obliged to use nets which allow more fish to escape. Areas of sea with large number of juvenile fish could be closed to fishing.

Fish salesmen, buyers and transporters should be licensed in the same way as boat owners, and there should be a change in the way the fishing capacity of the fleet is calculated.

The federation believes its suggestions would still enable the government to meet its target of cutting the UK's fishing fleet's capacity by 19 per cent by 1996.

Labour still needs to win over the aspiring south

John Smith may have beaten the unions but now he must appeal to the electorate, writes Philip Stephens

SO HE WON. Just. At one minute to midnight enough unions and constituency delegates stepped back from the abyss to give Mr John Smith a knife-edge majority for his proposals to loosen Labour's institutional links with the trades unions.

The vote could not have been closer. Victory came only after a day of pleading, arm-twisting and desperation not seen at a Labour conference for a decade. For Mr Smith the result was no less important for that.

Most people are confused by the implications of a one-member-one-vote system for the selection of Labour's parliamentary candidates.

Mr Smith, in his last-ditch plea to the conference, said it would actually strengthen the union link. In words which will have been carefully noted at Conservative Central Office he declared unequivocally: "Let me make it clear that as leader of the Labour party I am totally committed not only to maintaining but to strengthening the vital links between our party and the unions."

Mr Bill Morris of the powerful public service union, the TGWU, and Mr John Edmonds of the GMB general union said that it was the thin edge of a wedge which would prise apart the Labour party and the unions which gave birth to it.

Mr Morris and Mr Edmonds were closer to the truth. The process of separation – reflected also in less controversial decisions to reduce the unions' voting power at conference and in election of the leader – is probably unstoppable. It might, though, take yet another general election defeat for it to come to fruition.

But the immediate significance of Wednesday's vote lay not in the arcane technicalities of the new voting system. Instead it was a question of Mr Smith's personal authority. In the jargon of headline writers the issue was "Who runs the Labour party?" Mr Smith does. The symbolism was all-important. He would have looked forward to yesterday morning's headlines to convey that message. So the leader has received a significant boost. He was confronted by his party's most powerful paymasters. He did not blink. Messrs Edmonds and Morris must now find another way to secure a prominent place on the news.

But one-member-one-vote is not enough for Mr Smith. He set victory in Brighton as the condition for defeat of the Conservatives at the next general election. It was necessary but it was not sufficient.

Victory came only after a day of pleading, arm-twisting and desperation not seen at a Labour conference for a decade

There has been much else this week to depress those in the shadow cabinet who have argued now through election defeats that it is not enough for Labour to underpin the help of its natural supporters.

Most of the speakers have been looking inward – addressing the 30 per cent of the electorate who will probably vote Labour anyway. The other 10 or 15 per cent, the aspirant classes of southern England who will decide the election, have been largely forgotten. What, asked one of Mr Smith's colleagues, will the housewife in Basingstoke have made of all this? There are obvious explanations. Mr Smith's determination to win on one-member-one-vote meant this was hardly the time to extol Labour as the party of the public service consumer rather than of its trades union producers. He needed the votes of the public service union Nupe and health union Cohse.

The disarray in Mr John Major's ruling Conservative government has strengthened the voice of the one-more-heave tendency in the party.

But the delegates who cheered each time a speaker rose to extol the virtues of Clause 4 public ownership, of union rights, and of spending, taxing and borrowing had signed up, it seemed, to a new "No more heave tendency". Others argued that a simple return to the prescriptions of the past would be enough.

No one had the temerity to tell this conference that Labour needs the votes of millions of people who would never dream of joining a union.

The Labour leader is impatient with analyses like this. He believes some of the party's so-called modernisers have lost sight of the need to take their supporters with them.

He believes in the electoral force of the moral high ground, of leadership that people can trust. He senses that the undoubted anger of the electorate at unemployment, with insecure employment, with rising crime and with hard-pressed public services can successfully be exploited. He used his main conference speech to stake out that ground. It was effective. He has the manner of a prime minister in waiting.

Mr Gordon Brown resents suggestions that his decision to stress the commitments to full employment and fair taxes mark an abandonment of his post-election strategy of restoring Labour to fiscal responsibility. The first two strands in the shadow chancellor's approach – that Labour wants low inflation as well as higher growth and will never tax for the sake of it – have not been snapped.

But Mr Brown's path has diverged this week from that of Mr Tony Blair - one of Labour's leading lights. Formerly they were like Siamese twins. Watching Mr Blair tour the Brighton fringe has been to see a politician frustrated by the complacency of those around him. The shadow home secretary has decided to stand firm on the ground of modernisation. The question is whether Mr Smith and Mr Brown will decide to join him.

Britain in brief

Progress over Canary Wharf plan

Canary Wharf, the Docklands office scheme developed by Olympia & York downstream from the City of London, that went into administration in May last year, cleared one of the last hurdles on its way back to normal trading when unsecured creditors voted unanimously in favour of a restructuring package.

Once Canary Wharf comes out of administration, its corporate structure will be reorganised under a new parent company, called Sylvester Investments, controlled by the banks.

The 1400 unsecured creditors agreed to approve company voluntary arrangements which will allow them to be paid up to 15p in the pound. A further 25p in the pound will be paid to 130 construction trade creditors to provide warranties on work that has already been done.

The approval of the restructuring package by the unsecured creditors was necessary to allow the £1.1bn refinancing deal agreed by Canary Wharf's banks to go ahead.

Works councils for Ford plants

A European works council is to be established at the Ford motor company covering its 100,000 employees in Britain and on the continent. The works council will contain representatives from all the Ford plants in the UK, Germany, Portugal, Spain and Belgium.

At present there are around 25 European-wide company works councils, mainly in French owned enterprises. Up until now Ford has opposed the idea of a works council covering all its European operations.

Gatwick train choice begins

Travellers between London and Gatwick Airport will be offered a choice of rail services from Monday, as competition comes to British Rail in the run-up to railway privatisation.

Gatwick Express, the nonstop airport link due to be privatised next year, will face competition from two other divisions of BR. A seven-year franchise to run the express service, one of the few profitable routes on offer, will be put up for sale in April. Until then, the service will be run as a "shadow franchise".

New flights out of Manchester

British Airways is to introduce a Boeing 767 aircraft on its hourly Manchester-London shuttle to cope with rising demand. The aircraft has 247 seats - 52 more than the Boeing 757 aircraft it will replace during the morning and evening rush hours. British Airways Regional also announced a new six-days-a-week service between Manchester and Berlin, with onward connections to St Petersburg and Moscow on Deutsche BA. However, the airline is axing its daily service from Manchester to Copenhagen because of under-performance. Resources will be switched to the new Berlin route.

Omega HQ for Salford

Omega Engineering, the Connecticut-based manufacturer of process control technology, is to set up a European headquarters in Salford, near Manchester. About 500 jobs will be created over 10 years, more than 300 of them by the mid-1990s. The government agency which markets the site, is putting £3m of public money into the £25m project. It won Omega's inward investment against intense competition from Germany, France, Italy and other parts of Britain.

Plans to veto waste directive

Britain will try to block a new European directive on waste disposal at next Tuesday's European Council meeting in Luxembourg, Mr Tim Yeo, environment minister, said.

The European Commission should not attempt "pseudo-harmonisation" of environmental standards which could "properly be dealt with by member states themselves", he said. Mr Yeo has been an outspoken advocate of subsidiarity. The proposed directive would restrict the practice, common in the UK, of burying industrial waste together with organic household rubbish.

German unit creates jobs

A German component manufacturer announced plans to increase its workforce at its Birmingham plant to meet increasing demand from UK car makers, particularly Jaguar. Schade UK, a wholly-owned subsidiary of the Dusseldorf-based group, plans to hire 100 additional workers, which supplies body trims, mouldings and windows to Jaguar, Rover, Vauxhall and Ford.

SFO drops Polly Peck

The Serious Fraud Office effectively ended its Polly Peck prosecution when it dropped all charges against Mr John Turner, the company's former group accountant originally due to stand trial alongside Mr Asil Nadir, the fugitive businessman.

The criminal proceedings against Mr Nadir remain active and the SFO insisted it would bring the Polly Peck chairman to trial if he could be brought back from northern Cyprus where he fled in May.

Firefighters close to deal

A settlement of the threatened dispute in Britain's fire services is likely today when local authority employers are expected to agree to honour the firefighters' pay formula in full. "We are on the verge of a deal," said Mr Ken Cameron, Fire Brigades union general secretary.

THE PROPERTY MARKET

Hunt for bargains in the malls

Richard Waters explains the current popularity in the US of real estate investment trusts

Middle American shopping malls - symbols of the 1980s retail boom - are discovering a new lease of life on Wall Street.

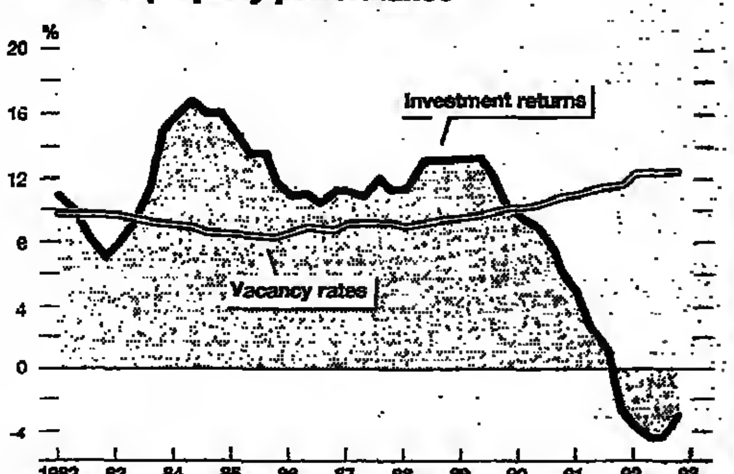
In the past fortnight, two of the country's biggest private developers from the 1980s have disclosed plans to sell stakes in their retail property empires, in deals that could raise $1.5bn between them. And although the yields on these public investment vehicles will be well below those available on similar private investmeots, there is no shortage of takers.

Real estate investment trusts (known as Reits) have been one of the big hits on Wall Street this year. They bring together two groups of people: debt-laden developers who need cash, and yield-starved investors who want a higher return than that available in the bond market and a liquid investment that is publicly quoted. Given the scale of the fees involved, Wall Street has been hsppy to play host to this party.

The latest developers to reveal their intention to go public are two of the most prominent names from the 1980s: Edward DeBartolo, an Ohio-based developer who has spent more than 40 years building a retail property empire in Middle America, and Melvin Simon who, with his family, has developed more than 100 shopping centres across the US. The Simon family will retain 51.4 per cent of its property investment vehicle, while DeBartolo will yield majority ownership.

Both have been driven hy the need to pay off old bank debt. DeBartolo, who has been looking for ways to appease his bankers for the past two years, will use $398m of the $561m raised (after fees) to repay debt: he also plans to repay another $396m of borrowings with a securitised debt offering launched st the same time. The Simon deal is similar: a net $993m will be raised, $240m of it through a deht issue, of which $870m will be used to repay borrowings.

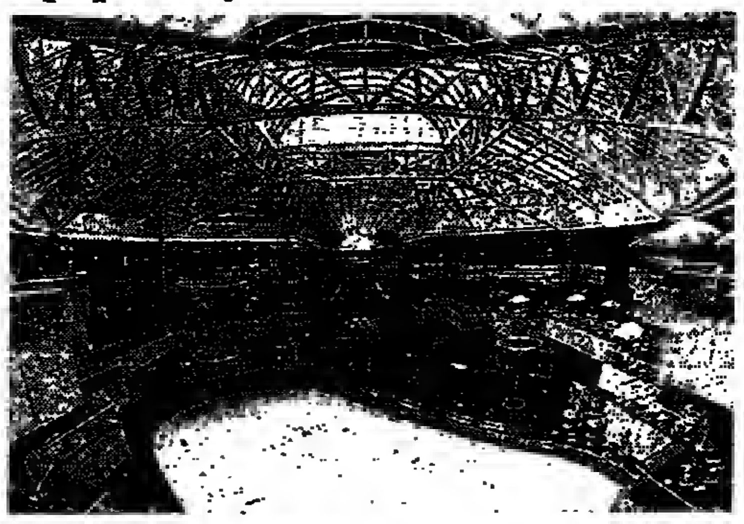
US retail property performance



Source: Goldman Sachs

It is not hard to see why these and other developers have decided that now is the moment to go public to raise cash. After a rise in prices early this year, yields on Reits have fallen well below yields on comparable private property investments. By distributing 95 per cent of its income in the form of a dividend, for instance, the promoters of the Simon vehicle say it will offer a yield of 7¼ per cent. Regional shopping malls and "community centres" (small shopping centres) of the type in the Simon portfolio might be expected to change hands in private transactions of yields ranging from 8½ to 11 per cent, depending on the location, size and competitive strengths of each site, says Mr Christopher Budden, chief executive of Yarmouth Group, the property adviser.

With such a wide gap between yields in the puhlic and private markets, it is possible for developers to pay Wall Street's not inconsiderable fees for going pnhlic and still come out ahead. The Simon Property Group deal, which is led by Merrill Lynch, will net the advisers and underwriters $67m, or 8 per cent of the proceeds - and this for a what has become a fairly standard transaction. The DeBartolo transaction, led hy Morgan Stanley, will raise aroumd $40m in fees. (Neither of these figures includes the fees associated with the debt securitisations which are also planned.) No wonder most investment bankers are quick to sing the praises of Reits at the moment.



Glyn Genin

America's shopping malls: enjoying a new lease of life on Wall Street

What do investors in pnblic deals get in return for the hefty premiums they are paying? Liquidity, first and foremost: most Reit investments this year have heen snapped up hy small investors and mutual funds. Both groups have been prepared to pay for the opportunity to take a relatively liquid equity investment in real estate. The investment trusts also bring diversification: the DeBartolo portfolio contains 51 malls, the Simon one 110.

Beyond this, the main advantage claimed for Reits is that they are worth more than the sum of the individual shopping centres they contain. They give investors the chance to buy into established management companies, which will use their experience to squeeze higher rental income out of the properties in future. That, at least, is the theory.

In the meantime, a more immediate concern for investors is likely to be whether rental income might fall in the near future, rather than rise. Two factors are at work:

- US retail sales continue to grow at only a sluggish pace, and a large part of the income of the shopping centres is tied to the sales of their tenants.
- Many smaller shopping centres are under pressure from the retail fad of the 1990s: the large discount store. Malls and other centres which do not have strong department stores to "anchor" them, by providing a focal point for customers, or which have hig discount operations close at hand, are most at risk.

Retail vacancy rates have already been creeping up since the mid-1980s (see chart). What this overall picture does not show, though, is where vacancy rates have been growing fastest, says Mr Budden - in the small, specialised retailers who yield the highest return for mall owners. As vacancy rates rise, rents inevitably fall (or, at least, stop rising) as mall owners struggle to hold on to those tenants that remain.

The DeBartolo portfolio of malls - considered one of the strongest currently on offer to investors - reflects these pressures. The overall vacancy rate of the centres rose from less than 7 per cent in 1988 to 15 per cent at the end of June this year.

With Wal-Mart stores and warehouse clubs sprouting across the US like mushrooms, where will it all end for the malls?

For the weaker ones, no doubt, closnre. Large Reits with well-spread properties, while benefiting from portfolio diversification, will not be immune to such pressures. But that is hardly something that will worry US investment bankers as they pocket their latest fat fees.

Changes in property values (%)

	Retail		Office		Industrial		All	
	Year to Aug 93	Mnth of Aug 93	Year to Aug 93	Mnth of Aug 93	Year to Aug 93	Mnth of Aug 93	Year to Aug 93	Mnth of Aug 93
Rental growth	-3.7	-0.2	-18.1	-0.9	-11.6	-0.5	-10.4	-0.5
Capital growth	-0.6	0.3	-7.5	0.4	-4.9	0.4	-3.9	0.4
Total return	7.4	1.0	2.2	1.2	5.4	1.2	5.2	1.1
Current yields	8.9		10.0		11.2		9.7	

Source: IPD Monthly Index, Investment Property Databank

Regeneration: Need to raise business birth rate........Page II

FINANCIAL TIMES SURVEY

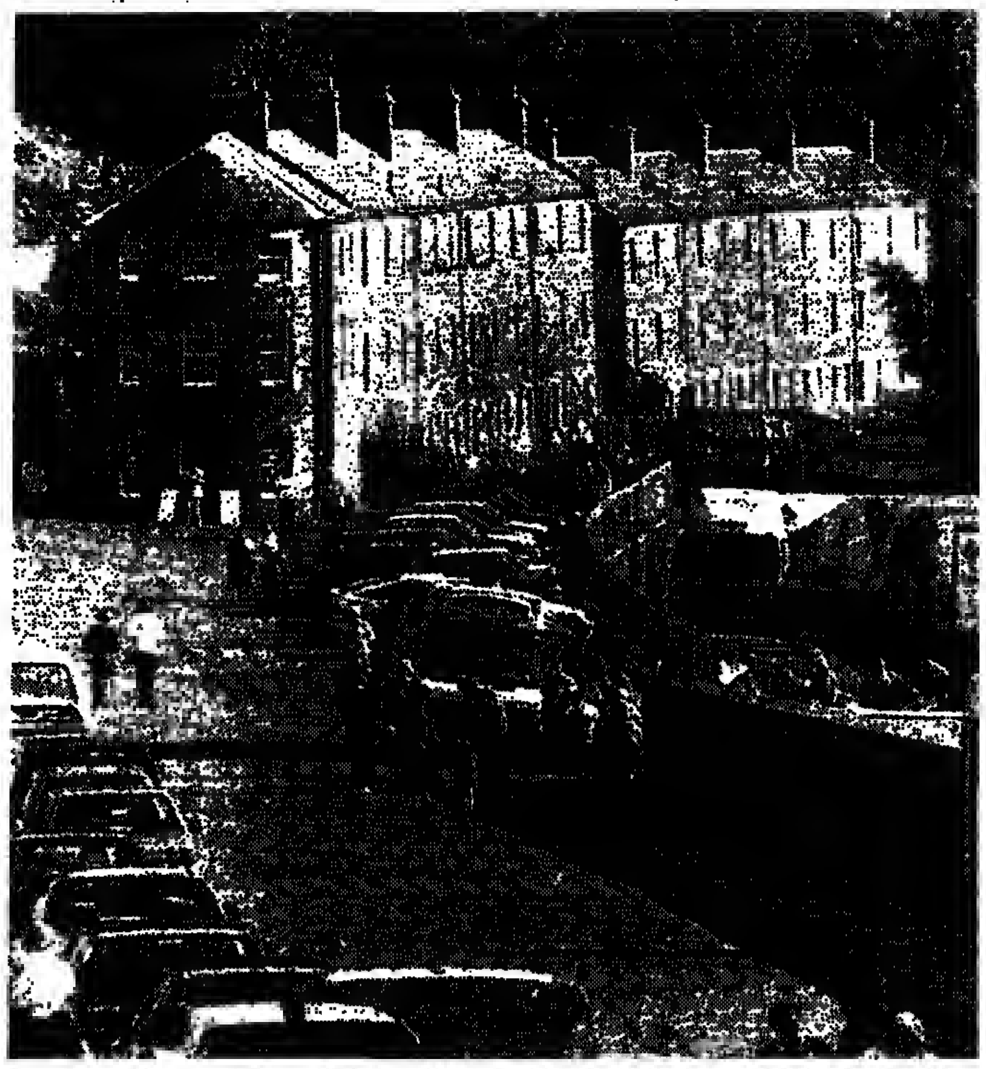
LANARKSHIRE

Enterprise Zone: The clock is already ticking.........Page III

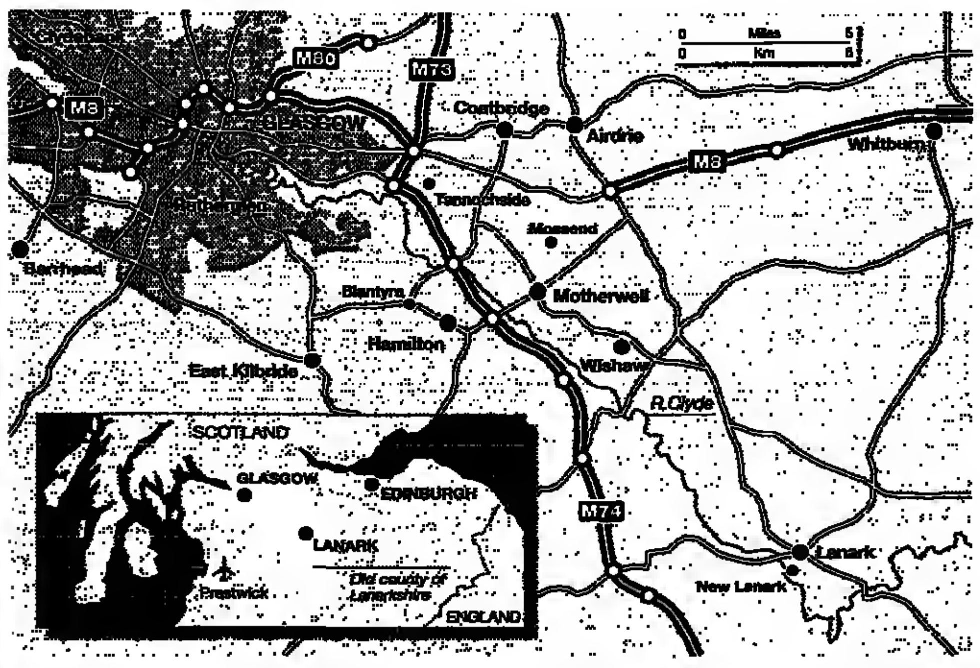
Friday October 1 1993

Lanarkshire, at the heart of Scotland's central region, is the focus of government initiatives to revive its economy following the closure of the Ravenscraig steel works last year. Its enterprise zone is already attracting inquiries. Survey by James Buxton

Foundations for recovery are in place



New Lanark: one of the cradles of the industrial revolution. The once derelict mill complex has been refurbished and transformed into a new-look village which attacts thousands of visitors *Picture: Stewart Cunningham*



LANARKSHIRE, for decades identified with coal, steel and heavy industry, is seeking to acquire a new economic base and shed its grimy industrial image. The process could take 15 years or more, and so far only the first expensive building blocks have been laid. It is too early to speak of results.

This latest attempt in Britain to regenerate an area where the old industries are dying or have disappeared started in 1991 when British Steel began delivering heavy blows to the Scottish steel industry which had been the lifeblood of the northern part of the county, around Motherwell.

In little more than a year, at an accelerating pace as the UK recession deepened, British Steel closed the big Ravenscraig steel complex and shnt down the nearby Clydesdale tube mill, making about 4,400 people redundant. It now employs only 1,100 people in Lanarkshire.

The speed with which the closures of the main plants came was a blessing in disguise. It forced Scottish politicians and the local community to face facts and embark on a recovery strategy, undistracted by the polemics which had dogged Ravenscraig for more than a decade.

The continuing campaign to save Ravenscraig meant that until the middle of 1990, when the now privatised concern said it would shut the plant's hot strip mill, it would have been politically suicidal for any Scottish politician or development official to utter e word in public about reviving the area after the steel industry had gone.

Only in 1990 was a working group set up by tha Scottish Office to consider Lanarkshire's future. The following year the Lanarkshire Development Agency (LDA) began operating.

There is, of course, mnch more to Lanarkshire than steel towns. The steel industry was concentrated in the heavily populated northern tip of the county, where towns such as Motherwell, Coatbridge and Airdrie are part of the Clydeside conurbation.

But Lanarkshire – the county was abolished in 1975 but still exists in people's minds and is the area covered by the LDA – includes the town of Lanark, one of the cradles of the industrial revolution, and extends much futher south into the southern uplands of Scotland.

In the upper Clyde valley the big economic issue is not industrial regeneration but improving the marketing of cattle and tomatoes. But nearly 90 per cent of Lanarkshire's 500,000 people live in the urban north of the county. West of Motherwell and Hamilton, separated by green belt, lies the prosperous, landscaped new town of East Kilbride with a cluster of big foreign-owned electronics plants.

The former steel towns are far from being places of dereliction. The Ravenscraig site, whose future is still to be decided, is a depressing scene. But the rest of the area is not one of oppressive decay or poverty, despite a number of derelict or vacant industrial sites.

Instead, the almost contiguous urban areas north of Motherwell look dreary, ill-planned and in need of better roads, better industrial sites and more open spaces.

"People expect to see a place down on its luck," says Mr Terry Currie, the director of business development at the LDA. "They're surprised to find it isn't. We're in a transitional phase, between a proud industrial past and a dynamic future."

The steel closures have aggravated existing problems of economic decline and recession. Unemployment in Motherwell and Monklands districts has risen from about 10.5 per cent at the beginning of 1990 to 12.5 per cent in mid-1993, and male unemployment exceeds 17 per cent. But Lanarkshire is far from being one of the worst areas of unemployment in Scotland, which the 1991 working group warned that it would become.

In fact, Mr Donald Leigh, area manager for the Royal Bank of Scotland in Motherwell, who has worked in Lanarkshire for 27 years, says: "We've been used to depressed conditions for years. The recession of the last two years has not been so noticeable."

Lanarkshire's problem is that along with the rundown of steel, the area's traditional manufacturing base is under threat, with engineering companies facing competition from eastern Europe and the Pacific rim. Too many businesses were dependent on British Steel and the birthrate for new companies is low. Apart from East Kilbride, the area has not attracted much inward investment from abroad. In short, the Lanarkshire economy needs modernising.

The regeneration effort can build on the large existing manufacturing base, e skilled and committed workforce, and the fact that Lanarkshire is strategically placed et the heart of Scotland's central belt, at the crossroads of its motorway system and on the main west coast railway line.

The main aim of the LDA, whose expenditure has risen from £54m last year to £64m this year, is to bring in new businesses and to improve existing companies.

One of the first things the Scottish Development Agency did when the Ravenscraig closure loomed was to buy 500 acres of land for industrial development in north Lanarkshire. The Scottish Office then pressed the government and the EC to create an Enterprise Zone.

The Enterprise Zone, spread over nine sites, some of which are still to be completed, came into existence on February 1 this year. It is beginning to attract inquiries and the first small developments have begun, although full-scale marketing of the zone has not yet started. It is calculated that the zone will create 8,000 new jobs over 10 years.

On the splendid Strathclyde Business Park et Bellshill, which is not in the Enterprise Zone, the Scottish headquarters of Mercury, a bottling plant for the distillers William Grant and a number of other plants and offices are going up.

Work on Scotland's terminal for Channel tunnel railfreight began last month at Mossend near Bellshill. The hope is that the terminal, to be ready in time for the tunnel's opening next May, will lead to the setting up of warehouses and factories on the 800 acre adjoining site.

The LDA is spending £9.5m this year to help existing Lanarkshire companies and to stimulate start-ups. A scheme for encouraging managers to formulate new business ideas has already led to the creation of several little companies.

For a county that does not exist, Lanarkshire has a strong sense of local identity and people show determination to revive their economy, with few signs of apathy. A civic pride campaign based on the slogan Supercounty, displayed on signs all over Lanarkshire, has been launched by local authorities and companies.

But the challenge facing Lanarkshire is immense. Its past industrial vocations are being whittled eway and there are few obvious candidates to take their place. Apart from the clever idea of exporting the local expertise ecquired, of necessity, in the reclamation and decontamination of industrial land, the aim is to attract a broad mix of high technology industries, like many other parts of Scotland.

Much of the regeneration strategy relies on outside businesses coming to realise the advantages of e Lanarkshire location and deciding to move there. Whether they do so depends partly on the UK and the Scottish economies generating the necessary growth. It also depends on Lanarkshire beating competition from other Scottish towns. Enterprise Zone status is not the only factor influencing investors.

That is why it is so important that the regeneration campaign changes the face and the image of Lanarkshire.

Regeneration of the economy, in an area still important in manufacturing, depends on new, high-quality companies – but the start-up rate so far is low

Need to raise business birth rate

MR Terry Currie, director of business development at the Lanarkshire Development Agency (LDA), is candid. "This has not been a great area for enterprise," he says. "Scotland has a relatively low rate of new company formation by UK standards. Here it's been even lower."

The low company start-up rate is one of the main problems being addressed by the LDA, by the county's five enterprise trusts and by other bodies such as BS(I) – British Steel (Industry), the economic development arm of the steel company.

But it should not detract from the fact that Lanarkshire, even with much of the steel industry gone, is still an important manufacturing centre, with no less than 28 per cent of its working population engaged in manufacturing compared with the Scottish average of 20 per cent.

East Kilbride is the jewel in the crown of manufacturing, with high quality inward investment companies such as Motorola, whose semi-conductor plant is being expanded to employ more than 2,000 people; the printed circuit board assembler Avex; JVC and Fuji Electric, and many others. It also has a Rolls-Royce aero-engine plant.

Motherwell, Hamilton and the surrounding urban areas are significant manufacturing centres. The engineering company Motherwell Bridge is based in Motherwell, as is the mining equipment maker Anderson. Honeywell Control Systems is based at Newhouse, while MSA has a plant at Coatbridge. Philips Lighting makes light bulbs at Hamilton.

British Steel still employs 600 people at the Dalzell plate mill next to Ravenscraig and 500 people making seamless tubes in Airdrie.

Because of its location at the centre of Scotland's communications network, Lanarkshire is a base for distribution and warehousing. Safeway has an enormous depot at Bellshill, employing about 900 people.

The Motherwell food park, set up by the Scottish Development Agency to try to diversify the local economy, has attracted food manufacturers, and a cluster of medical companies is growing up on the Strathclyde business park.

Most of the companies mentioned are sizeable, long established businesses, often owned outside Scotland. But the LDA's strategy document states: "Successful regeneration will depend on Lanarkshire's ability to create new quality companies and the expansion of existing home-grown firms."

To raise the business birth rate the LDA is operating its Entrepreneurship programme. "When we launched it we got 1,000 applications; when we said we'd have to charge £100 per person we still got 200 people wanting to join," says Mr Archie Bethel, the LDA's chief executive. The programme consists of part time courses running for six months, aimed at local management and professional people with manufacturing, technical or financial backgrounds. "The idea is to get them to meet and exchange ideas, while we teach them how to set up a business," says Mr Currie of the LDA.

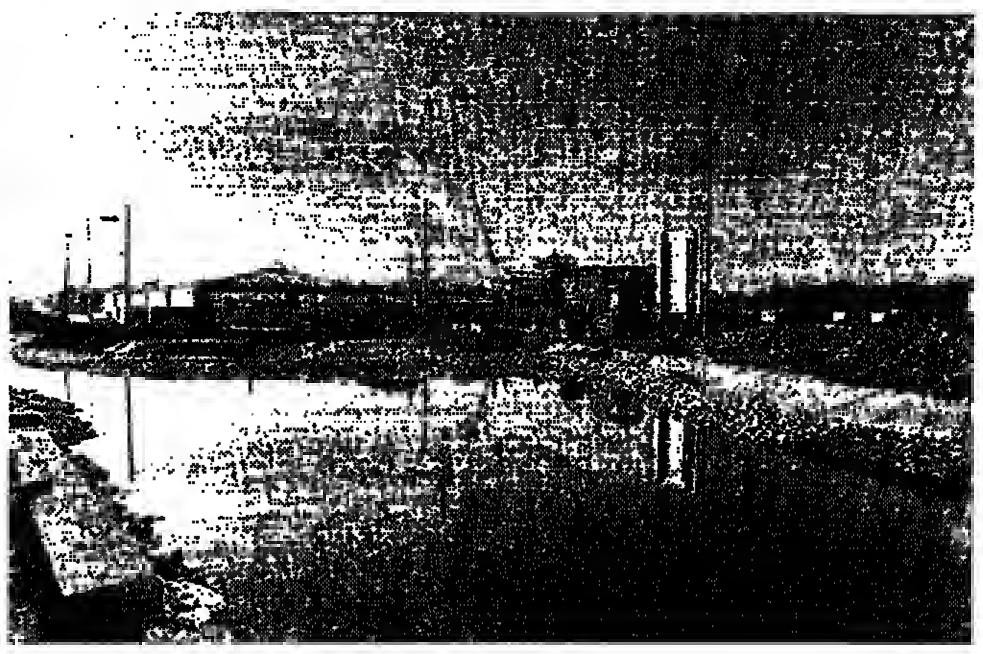
After two years the programme has already spawned about 10 new companies which employ about 70 people between them. One example is Retronix, which employs 20 people at Coatbridge repairing damaged computer circuit boards, mainly for the multinational electronics companies in Silicon Glen.

BS(I), whose role is to help areas affected by steel plant closures, assists the regeneration process by providing serviced accommodation units for startup businesses. It has 29 units in a complex at Coatbridge, is building eight more "progression units" for growing businesses nearby and is close to completing a set of offices and workshops on the Strathclyde Business Park.

The Coatbridge Workshops are serviced by a typist who has a fax machine. "The units are very popular," says Mr John Fairley, BS(I)'s Scottish manager. "The success rate in this sort of environment is better than in the outside world."

BS(I) also co-funds business start-ups, investing about £1m a year locally and usually putting in between £40,000 and £100,000 per project. "This is the venture capital gap that bigger providers of funds such as 3i cannot fill," says Mr Fairley. BS(I) provides continuing advice to its investments with a team of semi-retired professionals.

BS(I)'s investments include Aperta, a company set up by employees made redundant by Unisys who have developed a system for transferring office documents from paper to computer disk by means of optical scanning.



A cluster of medical companies is growing up on the Strathclyde business park Picture: Poruska Chamb

The Coatbridge Workshops are not wholly devoted to manufacturing. Some are occupied by service companies, including Clyde Commissioning Services, which provides checks for new buildings. BS(I) wants to help redress Lanarkshire's bias towards manufacturing – which means that it lacks a broad spread of services and has to buy them in from Glasgow.

Despite its origin, BS(I) in Lanarkshire rarely gives direct assistance to former steelworkers. "We bend over backwards to help steel people," says Mr Fairley, "but very few of them see self-employment as the way forward. That's a legacy of the employee culture of a big plant."

One legacy of the closure of a big complex such as Ravenscraig is that a number of companies which grew up supplying British Steel are having to make painful adjustments. "Many had a comfortable existence with British Steel and became over-dependent on it," says Mr Fairley.

"They developed a sort of tunnel vision that couldn't envisage the possibility of not being a customer of British Steel."

BS(I), the LDA and Medco, the enterprise trust in Motherwell, began tackling this problem before Ravenscraig closed, introducing companies to new markets such as the offshore supply industry in north east Scotland. But, says Mr Fairley, "Many companies have had to rein back and shed employees, and some have to close altogether."

Others, such as Scomagg of Motherwell, a maker of control systems and almost totally dependent on British Steel four years ago, now makes systems for the oil, gas, petrochemical and food industries.

Mr Currie of the LDA, which runs programmes for managing change, says the closure of the steel complex "did not cause the holocaust among its suppliers that had been forecast. Fewer companies than my 10 fingers have gone to the wall as a result. The shakeout of the early 1980s left us with fitter, better managed companies."

The small and medium sized engineering companies are the industrial backbone of the area. But Mr John Burn, chairman of George Taylor, a foundry company, says: "We are seeing the gradual demise of engineering companies in the west of Scotland, in the face of recession and imports from eastern European and Chinese companies that use first world technology.

"Most engineering companies here are just hanging on, hoping for things to improve. It's hard to persuade myself that I will get a return on any investment I make."

The LDA, whose business development budget this year is a remarkable £9.5m, assists companies with entering new markets and with developing new products.

"The problem is finding companies with products to develop," says Mr Bethel. "It is a bit concerning but we are working on it."

Mr Currie says companies attribute the lack of new product ideas to recession, "but I suspect there was little product development in good times. It's a national problem and until there is a national commitment to manufacturing I don't see it being satisfactorily addressed."

British Steel shut the 1,000 acre Ravenscraig complex in June 1992, two years earlier than expected Picture: Colin Beere

Ravenscraig could be a development opportunity

No clear view

LITTLE has happened on the site of the Ravenscraig steel complex since it abruptly closed in June last year. The cooling towers and the blast furnaces still stand, the main differences from a year ago being that they are now silent and no vapour comes out of them.

British Steel shut the complex two years earlier than had been expected, arguing that poor market conditions overrode the commitment it gave in 1987 to keep the complex open till 1994.

The early closure took by surprise development officials who had expected more time to consider the future of the site, and to plan retraining programmes for the redundant steel workers.

British Steel is negotiating to sell the equipment from the plant to the Indonesian company Gunawan Dianjaya which plans to reassemble it in North-east Malaysia. The plant will be the largest steel plant in South-east Asia.

£525m has been mentioned as the cost of dismantling Ravenscraig and re-erecting it in Malaysia, but the proceeds of selling the Scottish plant will be only a fraction of this sum. For the Indonesian company the deal should be a cheap way of getting a steel plant.

"Discussions with Gunawan Dianjaya are proceeding satisfactorily," says British Steel, "but we don't expect a contract to be signed until later this year."

It is believed that if British Steel is unable to sell the plants overseas it will dismantle it and sell it for scrap.

The Ravenscraig complex occupies a 1,000 acre site – twice the size of Hyde park in London – sandwiched between Motherwell and Wishaw. That includes the 110 acre site of the Lanarkshire steelworks which closed in 1983. It is thus potentially a very big urban redevelopment opportunity which will be crucial to the future of Motherwell.

So far, there is no clear view on what it should be used for. But an early decision was not to put it into the Lanarkshire Enterprise Zone.

Mr Archie Bethel, chief executive of the LDA, explains that this is partly because of the very long time it would take to clear the site, partly because he doubts whether new investors would be interested in going to a site in the middle of Motherwell. But Mr Jeremy Bray, Labour MP for Motherwell South, thinks the future of Ravenscraig is being given too little priority.

"Nothing has been done since 1983 with the Lanarkshire steelworks site, and the writing was on the wall for Ravenscraig after 1987, yet nothing was done. Ravenscraig could be a superb site, right on the west coast main railway line."

He fears that the 500 acres of Enterprise Zone and 500 acres of other industrial sites in Lanarkshire will mean there will be no demand for industrial land on the Ravenscraig site. But Mr Andrew Russell, head of a Price Waterhouse team appointed in July to look at the development options, urges a longer view. "Ravenscraig will have its day," he says. "It would be a pity to prejudice longer term possibilities by short term developments on part of the site."

He says the time span for redevelopment "will certainly exceed 10 years and may be as much as 20." By then, demand for industrial land may well have been exhausted on the other sites. "We're urging people to go for a long term fix."

British Steel last year commissioned the environmental consultants Aspinwall to report on the environmental problems of the site. Its preliminary report showed that hazardous waste had been stored for years in disused mine works on the site, and that various waste substances such as steel slag, filter cake, sulphur compounds and ammonia had been dumped there under license.

But the report said that 20 per cent of the site would need no action prior to redevelopment, and that a further 25 per cent would need only minimal regrading if the site was to be used for amenity purposes. Industrial development could follow "relatively straightforward decontamination measures," but "much more extensive remedial works would be required on about 70 per cent of the site if the proposed end use was housing."

Aspinwall is now carrying out the second stage of its study. Various figures have been put on the cost of reclamation, mostly ranging between £100m and £200m.

Mr Russell says the Ravenscraig site includes a deep wooded ravine of the river Calder, though the river itself is filled in over part of its length. That could become a valuable amenity.

Whether the Ravenscraig site becomes a park, a housing development, an industrial site or a combination of all three, an important planning priority is to use the opportunity to improve Motherwell, which has a poor town centre. Any plan is likely to include a new road to connect the M74 motorway to the A8/M8 east-west road.

The former steelworkers, former employees of Ravenscraig, the Clydesdale tube works and some of their subcontractors are entitled to special benefits under the EC assistances for former steel areas. They can claim a supplementary employment benefit of £16 a week for up to 52 weeks, and up to 52 weeks training.

By the of last June 1,006 of them were still in training. Another 90 had found jobs.

Profile: **Atlas Hydraulic Loaders**

German linked

THE village of Blackwood, just off the M74 about 10 miles south of Motherwell, is not a well-known manufacturing centre. Yet the former mining village's main employer is the biggest manufacturer of lorry loading cranes in the UK.

Blackwood is the UK headquarters of Atlas Hydraulic Loaders, a German-owned company which has been in Lanarkshire for 30 years. It is the only full overseas manufacturing unit of Atlas Weyhausen, a family-owned company with turnover of about DM 800m based near Bremen.

At Blackwood, Atlas makes lorry loading cranes – the type of crane that is permanently mounted on a lorry – and manufactures mini-excavators in a plant at nearby Hamilton. Despite the recession, now hitting the German market, it is implementing a £10m investment programme in its Scottish plants, whose products are designed in Germany.

Atlas began manufacturing at Blackwood in 1963 at the suggestion of its Scottish dealer. It has been there ever since. It employs about 250 in Scotland and 70 in its English sales offices. Noemployees come fromGermany.

"The workforce is stable – several of them have worked here for 20 years – and I don't find any difficulties operating here," says Mr James Hanshaw, the subsidiary's managing director who has worked for US and German companies in Asia, Australia, the US and Europe. He does a daily cross-country drive from his home near Peebles in the Borders. "The maintenance of the roads could be better," he says.

Atlas's UK sales grew from £5m in 1980 to £27m last year and are expected to reach £35m this year. It has 45 per cent of the UK market for lorry loading cranes (80 per cent of these sales supplied from its Scottish plant) but also exports about 60 per cent of turnover. Much of its output goes to Germany.

Continued on next page

Lanarkshire's infrastructure now includes an Enterprise Zone divided into nine sites

The enterprise clock is ticking

MR John Condliffe, a top official at Scottish Enterprise, was a leading advocate of setting up an enterprise zone in Lanarkshire to "kick-start" its regeneration. "We think that with an enterprise zone we can achieve in five years what would otherwise take ten," he said.

Now little more than two years after that statement was made and nearly a year after Mr Condliffe's untimely death in middle age, the Lanarkshire enterprise zone is up and running. It formally came into existence on February 1 this year and expires in 2003.

As Mr Archie Bethel, chief executive of the Lanarkshire Development Agency says: "Tha clock is ticking. We have got 10 years."

Enterprise zones offer companies which set up on them exemption from business rates, 100 per cent allowances on corporation tax for capital expenditure on buildings, and greatly simplified planning procedures.

Yet when Mr Condliffe spoke, the tide seemed to be moving against EZs. Both the government and the European Commission, which also has to approve them, had expressed doubts about the concept. The government had frequently said that each zone it set up would be the last, before eating its words and setting up another.

Critics say that EZs merely transfer jobs and investment from other areas, while the EC has been sceptical of an initiative which it believes can distort competition. The zones have been seen, particularly by the Treasury, as a comparatively expensive way of generating jobs. However, although the original crop of EZs in Britain, created in the early 1980s, is now expiring, there are likely to ba six zones in existence by 1994, three of them destined for areas hit by the latest coal closures.

The Lanarkshire EZ comprises 507 acres and is divided into nine sites, ranging from 195 acres at Newhouse close to the Eurocentral freight terminal to a two acre site intended as an office development in the town of Hamilton.

Mr Douglas Smith, of the chartered surveyors Richard Ellis in Glasgow, says the range and quality of sites on the Lanarkshire EZ are of "by far the highest quality yet seen in the Scottish market." They will appeal, he says, to manufacturers, office users and inward investors.

At least one of the sites – Airbles Road in Motherwell – is not yet ready. But Monklands district council has already built 10,000 square feet of units on the Shawhead zone, with a further 10,000 sq ft under construction.

At Tannochside the developer Meiklegate is in final negotiations with the LDA to put up 55,000 sq ft of industrial space, and Morrison Developments are close to agreement to build 78,000 sq ft of office space on the two acre Brandon Street site near the centre of Hamilton.

Mr Bethel says the EZ aims to strike a balance between owner-occupier companies putting up bespoke buildings for their own use, and EZ trusts which are likely to build speculatively for later gains. The latter are likely to become more prominent next year as the Business Expanston scheme, which attracts about £1bn a year of funds, against the £250m attracted by EZ trusts, comes to an end.

Mr Gerry Brough, inward investment manager at the LDA, says: "We want to keep a balance between the different types of occupier, and we do not want to release too much land too quickly."

The LDA believes the EZ will generate 8,000 net new jobs over the 10 years. That same total has often been quoted for the number of jobs that should he supported by the 800-acre greenfield site which includes both Mossend and the Newhouse West zone.

The Eurocentral rail freight terminal for Scotland's Channel Tunnel freight is being built on the western side.

The terminal was to have been by Amec, the construction and development company. However, With uncertainty over the privatisation of British Rail, delays to the Channel Tunnel opening and the weak property market, Amec decided instead to concentrate on developing part of the adjoining land, while theLDA took on the terminal project.

With the public sector taking responsibility, a £1.8m grant from the EuropeanRegional Development Fund was obtained to help towards the £8.6m cost of the project. The grant would not have been available for a private sector company.

A 115 acre freight village should gradually be developed next to the 16-acre terminal. Alongside is the Mossend EZ site aimed at manufacturing, which is part-owned by Amec Regeneration. The Newhouse West EZ site, fronting on to the M8, is owned by ScottishEnterprise and is intended for large inward investors.

The Eurocentral terminal will have modest beginnings when it opens, in time for the Channel Tunnel, next March.

The LDA does not have the power to build advance factories, unlike the new towns. But the Scottish new towns are following their English counterparts and being wound up. East Kilbride will be wound up by the end of 1995 and is involved in a final £37m capital programme to complete the town.

East Kilbride is the home of another important part of Lanarkshire's development network, the National Engineering Laboratory (NEL), a government industrial research organisation which briefly achieved prominence in 1988-89 when Lord Young, then the trade and industry secretary, made a botched attempt to privatise it.

NEL is making itself more market-oriented and is developing a commercial customer list. Its own staff has been slimmed from 600 to 400. It occupies only five of the buildings on the site instead of 10. The site is now a serviced, high prestige business park, much of it occupied by small science-based businesses, some founded by ex-NEL staff.

But all that is in the future.

Profile: Dawnfresh Seafoods

Move enabled expansion

THE biggest new industrial employer to start operations in Lanarkshire since the closure of the Ravenscraig steelworks is probably Dawnfresh Seafoods.

It produces breaded cold water prawns and other seafood products in a large new plant at Bothwell Park near Motherwell and employs more than 200 people.

At first sight it might appear odd that a seafood maker would locate itself on an inland site in an area where the main manufacturing tradition is engineering.

On second glance it seems not only logical, but also that it could be a harbinger of things to come.

Dawnfresh, a privately-owned company, relocated to Bothwell from two plants in England.

Its main plant was at Whitehaven in Cumbria but it also had a facility at Ipswich.

It decided it needed to move in order to expand and to anticipate the requirements of current and future health and hygiene regulations.

"This is an ideal location," says Mr Alastair Salvesen, the company's chairman. "Most of our scampi comes from Scottish fishing ports. We are right on the motorway network which enables us to distribute to supermarkets all over Britain within a day.

"From Whitehaven it took two days.

"When we want to fly to buy foreign shellfish from Scandinavia we have Glasgow and Edinburgh airports both within less than an hour's drive. We're at the centre of an excellent hnb."

Dawnfresh is among the top four UK producers of prawns and scampi, with an annual turnover of £20m.

It decided to buy its own land and build its own factory after being unabla to find space large enough on the Motherwell Food Park, which is a dedicated area developed by the Scottish Development Agency, and after being asked "ridiculous rents" on another local site.

It owns an eight acre site on which it has built a 45,000 square foot state of the art plant, which includes temperature controlled production facilities, cold stores, laboratories, a product development kitchen and offices.

From acquiring the site in March 1992 it produced its first output in November and the plant was completed in February 1993.

The site gives it further room for expansion.

Dawnfresh also has a seafood processing plant at Campbeltown in the Mull of Kintyre.

The company, which has been profitable since it was bought out by its management in 1983, concentrates on breaded products and fresh or chilled products such as langoustine, scallops and crevettes.

About 75 per cent of its output goes to the retail market, and the rest to the food service and catering sector.

Clydesdale Development Company focuses on rural areas

Illustrious industrial heritage

IT is an irony of Lanarkshire that the town from which it takes its name is far removed in character and some way in distance from the industrialised north of the county on which so much attention is being lavished.

Lanark is a market town of 10,000 people set in rolling green countryside where cattle and sheep farmers come to sell their produce and country ladies do their shopping. Yet it has an illustrious industrial history, for it was at New Lanark thet the socialist entrepreneur Robert Owen created an industrial community in which the workers' education and health were as important as profit.

In the early 19th century New Lanark was a place of pilgrimage for social reformers, statesmen and royal personages. It is now the leading historic tourist attraction in Lanarkshire, where last year 190,000 people paid to see the restored factory and visitor centre, and many more to stroll round the old village, which is progressively being restored, or gaze at the falls of Clyde. New Lanark is now classed as a World Heritage site.

Last year Clydesdale Development Company, the local enterprise trust, was able to point to figures showing that between 1979 and 1990 it had the fastest rate of growth for new businesses in Britain, based on VAT registrations which increased by more than 245 per cent, making the largest percentage increase in Britain, well ahead of Corby, Milton Keynes, and Stevenage.

The registration of 631 new businesses is thought to be due partly to Clydesdale residents who formerly commuted to Glasgow setting up businesses nearer home. The number of of people working in Clydesdale has grown in the past 10 years from 23,000 to 35,000.

New Lanark: a derelict mill has become a village Picture: Stewart Cunningham

The Clydesdale Development Company is chaired by Mr Arthur Bell, who runs Scotland Direct, a successful direct marketing group, from a converted tweed mill in Biggar, south of Lanark. The development company is an enterprise trust which has a franchise from the LDA to offer business services and advice. Its annual budget is about £500,000.

It differs from most other enterprise trusts in Scotland is that it focuses strongly on the rural areas. "Clydesdale district covers 500 square miles, and 25 per cent of our businesses are in farming," says Mr Chris Travis, the executive director (check). "We must stop the decline in farmers' incomes, or the rural infrastructure will run down, and shops and schools will close in a downward spiral."

Together with other bodies it has established Farm Futures, a programme targeted at young farmers who are likely to inherit the family business. The aim is to provide a grounding in forward planning, business management, and new market opportunities, including how to deal with the demands of the supermarket chains.

Though much of Clydesdale is over 1,000 feet above saa level and very bleak in winter, part of the Clyde valley near Lanark has for decades been a centre for raising tomatoes in glass houses, thanks to a warm micro-climate. But the industry has been in steep decline and was becoming unable to compete against plentiful Dutch tomatoes.

With the Scottish Agricultural College and the Robert Owen Foundation, the Clydesdale Development Company encouraged six of the surviving tomato growers to club together, "not to out-produce the Dutch but to out-market them," Mr Travis explains.

They now sell under the banner Scotland's Tomatoes and have agreed a price with the supermarkets which has restored a premium to their tomatoes. Revenues this year are 50 per cent above last year's.

The development company is now trying to find ways of assisting beef producers. "We are trying to find an effective marketing approach that will raise returns," Mr Travis says. It is likely to involve creating a brand, developing a link with an abattoir to produce a quality mark and dealing direct with butchers, cutting out the cattle market.

"Much of our beef is raised in conditions that are close to being organic," he says. "That gives us something to work on."

He says that as farm subsidies fall, farmers need a better understanding of market forces, of buying and selling, of costing and pricing, and of the public perception of quality.

Taking the work of an enterprise trust into the agricultural community is breaking new ground.

"It is a bit of an uphill struggle," Mr Travis says. "The farmers will listen and say they agree with yon, but whether they do anything about it . . ."

Focus on Atlas

Continued from previous page

Atlas Hydraulic Loaders also claims to be the biggest and fastest growing maker of mini-excavators in the UK, with output rising from 400 units last year to nearly 1,000 this year as it begins manufacturing new models.

"We are taking market share from our competitors in the UK thanks partly to very aggressive pricing," Mr Hanshaw says.

"Quality comes before short term profits. The parent company does not take dividends from the UK subsidiary – all our profits are reinvested. We're going to be here in five or 10 years' time."

The £10m investment programme at Atlas Hydraulic Loaders which began last year has involved expanding production space by 21 per cent to 150,000 square feet and refurbishing the plants with the latest machinery and computer systems.

" We wanted to bring our manufacturing facilities up to German standards. The world is demanding higher standards," says Mr Hanshaw. "Our German customers are particularly conscious of quality, especially with products made in Britain."

MANAGEMENT

Dominique Damon, the only female executive director of a large Swiss company, talks to Ian Rodger

Going it alone

MORE than a few Swiss eyebrows were raised when Dominique Damon joined Alusuisse, the venerable aluminium and chemicals group, in 1988 to head its nascent packaging division. The commanding heights of the big Swiss companies have been notoriously closed to women and foreigners, and Damon, who comes from Paris, is both.

Even today, she is the only woman executive director of a large Swiss company. But if the eyebrows are still raised, it is for entirely different reasons.

In seven years, she has pulled together a motley group of packaging operations spread around Alusuisse, bought eight complementary companies in Europe and the US and shaped them into a sparkling global performer.

Sales of the packaging division have jumped from SFr744m (£339.7m) in 1988 to SFr1.4bn last year, and it contributes more than a third of group profit.

Alusuisse had been struggling for years to diversify from its historical dependence on commodity aluminium products and so its appreciation of her abilities is far from surprising.

Early this year, she was given responsibility for the group's industry and transport equipment division, and has just been named deputy chief executive.

There is a stereotype of the high-powered French female executive - stylishly dressed, immaculately groomed, confident in carriage, dazzlingly clever, tough, sexy. Damon is different. She dresses simply and conservatively, wears no make-up and does not try to hide her 46 years or her greying hair.

She speaks and moves softly, listens attentively and has a charming, self-deprecating sense of humour. Only gradually do the sharp intellect and iron will emerge.

She is, above all, a professional manager. She studied management in university, and went straight to BSN, the French flat glass and food group, after receiving a doctorate in experimental psychology in 1970.

At BSN she first worked in industrial relations and employee training in the Boussois glass division for five years. She then switched to the food division, just as it was acquiring the Gervais business.

As director of administration, she was responsible for the massive internal reorganisation that followed.

In 1985, she moved to Carnaud to become chief executive of its FFr2bn (annual sales) plastic packaging business, and was wooed away to Alusuisse three years later.

She says she had no second thoughts about joining the Swiss group, having been ignorant of Swiss business culture. "I had always been in very international groups, and here as well the management seemed very international, not necessarily by nationality but by attitude. It was only afterwards that I realised that perhaps Alusuisse was exceptional among Swiss companies."

She says she immediately felt comfortable with the management style of the Alusuisse executive committee, which emphasised flexibility, teamwork and motivating employees to participate in defining and achieving strategic goals.

She recoils from defining her strengths as a manager. "I like to avoid labels," but says she feels most strongly about motivating employees to take a team approach to clients.

Significantly, in all the companies in which she has worked, the clients have been highly sophisticated.

Whether trying to convince Renault to buy more BSN glass, Hypermarché to buy more Danone yoghurt, or General Foods to use Alusuisse packaging for its pet foods, the sell has always been a complex, technical one. Increasingly, the supplier has to co-operate closely with the client in developing a product.

"It is not a question of sending along a salesman. All our managers must have a relationship with the client, and we have to work as a team," she says.

She sees her own role as chief motivator. She travels constantly, visiting her operating units, finding out what is going on, making sure they are meeting their goals.

"If you don't know what people are thinking, you can go seriously wrong. And the only way I can find out is to listen to them. Perhaps I do not have sufficient imagination to figure things out for myself."

She has also been careful to install a rigorous financial reporting system at the packaging division's new home base in Paris. Each operating company has clear goals, and is monitored by the week by one of her team of 12 central executives.

Her own interventions are less systematic. "If a company is going well, it may see me three times a year if it is going badly, it will see me every month."

So far, her system works admirably well. She claims that none of her subsidiaries is in trouble at the moment, and she takes particular pride that the executive teams of all the businesses she has acquired remain largely intact.

Damon dislikes the term workaholic, but admits she makes sure there is a telephone and fax available when she goes on holiday. "I would find it hard to break communications, because it would be so difficult to catch up when I got back. And, at this level of responsibility, I do not believe I should cut myself off."

Although she would not seem to have much time for family life, she is obviously proud of her similarly over-achieving teenage daughter. Echoing Hillary Clinton, she observes, "perhaps she missed something by not having me at home baking cakes, but I don't think so. And she has seen a lot of the world."

Where Damon goes from here is anyone's guess. She claims not to be concerned.

"I have no need to think ahead 10 years. I have sufficient challenge and satisfaction where I am."

Would she want to work in a bigger company? "I do not think the size of a company is necessarily directly related to the complexity of managing it."

Would she expect to become chief executive of Alusuisse? "Everyone asks me that. It is not my problem. It is not an important issue.

"I am very comfortable working in this team."

Dominique Damon: 'The only way I can find out about people is to listen to them'

What it takes to be a regulator

Lucy Kellaway looks at the skills would-be industry watchdogs should have on their CVs

A few months ago Clare Spottiswoode decided it was time she got a proper joh. This 40-year-old mother of fnur had had enough of juggling five part-time jobs, and phoned np Saxon Bampfylde, a headhunting firm, to see what it could do for her.

Her CV showed that she was an ex-Treasury economist and an entrepreneur who had set np two businesses, one importing cotton and silk gifts, the other in computer software.

The beadhunter, whicb had just been asked hy the government to find a replacement for the combative Ofgas director-general Sir James McKinnon, mentioned the joh to her. "Even if I had known the joh was on offer, I never would have applied. Bnt when they told me abont it I felt I was well suited. I have a logical economist's background, and I've been at the sharp end of business."

Spottiswoode thonght nothing abont entering the macho gas husinesses: she survived as one of tbe first women at Clare College Cambridge, and says she has been "in a very male world all through".

So she applied, and the rest, as they say, is history.

To ontsiders, hers might seem an unlikely background for becoming regulator of the monolithic gas industry. Bnt it is no less likely than the backgrounds of most of the individnals who regulate Britain's other ntilities.

Sir James, an accountant who was finance director at Imperial Group, also knew very little about gas and regulation when he started. Equally obscure were Don Cruickshank's qualifications for regulating the telecoms industry: he was chief execntive of the NHS in Scotland, and before that managing director of Richard Bransoo's Virgin Group. Professor Stephen Littlechild knew a great deal about monopolies when he was hired at Offer - the electricity regulator - but he lacked much direct experience of the husiness world.

There is no degree in regulating, nor any specific training for It. Yet the joh of regulator is one of the most difficult challenges in British Indnstry. What does it take to make a good one?

According to Sir James, the answer is more straightforward than it is often cracked up to be. "A good regulator does what he or she is told. It is as simple as that. A regulator is given a number of tasks to do, there are clear sets of rules in the legislation."

He reckons that the only real requirement is that a regulator should have a background in husiness, and must have experienced change.

His own "basic husiness training", he says, was vital in helping him understand the dynamics of competition.

Being able to deal with the media is also vital, he says. "As regulator you have no funds to pnt your message across. Unlike British Gas, I didn't have £10m-£20m to spend on advertising." Good relations with the media are a matter of "telling the truth and saying the same thing to everyone".

> **'A good regulator *does what he or* she is told. There are clear rules in the legislation'**

Sir James also believes that regulators shonld not take themselves too seriously. "If the Sun says yon are 'as preclous as a Ming Vase' or that yon have great control over the destiny of 18m people, you have to be careful or yon start to believe it. Yon need to keep yonr feet right on tbe ground. I don't see myself as any different from anyooe else."

According to Saxon Bampfylde, which has been involved in the appointment of most of the UK regulators over the past four years, the necessary qualities are more complicated than Sir James makes ont. According to the firm's Douglas Board the most important is real live experience of competitive markets.

"In all cases we have heen looking for a very good player to hecome referee," he says. The prohlem is that people running big companies may not fancy the idea of running an organisation with between 20 and 200 people, especially when the salary is a fraction of what they might get in the private sector. Sir James says be earns £73,000, while Don Cruickshank's joh - which took eight months to fill - was initially advertised at £90,000.

The second attribute is a powerful Intellect. Board argues that regulating a complex ntility presents a larger intellectual challenge than that facing most chief executives, who spend most of their time motivating and implementing.

Good communication skills are essential, as well as a fair approach. A suitahle candidate would be prepared for a slightly lonely joh: even though they spend the whole day talking to interested parties, decisions are generally taken on their own.

Regulators must also be good mangers of tbeir own staff. "About 50 per cent of what determines whether the regulator is good is how he or she sets up an office in terms of staffing, information, use of consultants and so on," says Board.

They need to be hrave, and prepared to be unpopular. Board says that in selecting the right person he looks for "evidence of having done fearless things, rather than just being ahte to talk fearlessly".

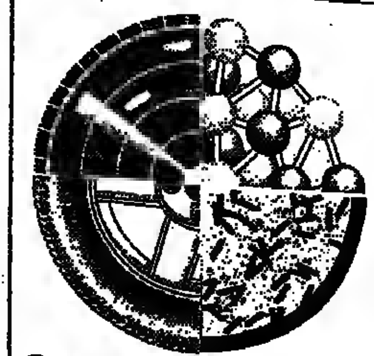
They also need to take a long-term view.

Most of the decisions made hy regulators will not start having any effect within their term of office. This means there can be no quick jndgments to be made on which regulators are doing a good joh.

Sir James takes away with him the satisfaction of having helped some consumers get a better deal. Yet he says that this has been hy no means the biggest challenge of his career. Compared with the task of attempting to turn around the Howard Johnson hotel chain in North America, it was a piece of cake.

TECHNOLOGY

Worth Watching · Della Bradshaw



Cashing in on radio signals

As Christmas approaches many retailers will want to install more tills to help increase sales. The problem is that most point-of-sale equipment needs a phone line to send purchase data back to the store's computer.

Tec, part of the Toshiba group, has overcome the obstacle with a range of tills which transmits the information over a radio link. In the UK the equipment uses the frequency allocated for cordless local area networks in offices, at 2.46 GigHz. Tec believes the system will give retailers greater flexibility in designing store layouts. Tec: Japan, 03 3292 6223; UK, 0923 233688.

Warning! Warning! black ice

An electronic device which can detect black ice, and warn drivers of icy patches before accidents occur, has been developed in France, by Metera of Sille-le-Guillaume.

The battery-powered logging device is positioned at the side of the road at notorious black spots. There it measures the temperature of the air and road surface and the humidity. It calculates whether the road surface is dangerous including such factors as the exposure of the site, tree cover and winds.

The Emac 90 logging system communicates the information to the relevant authorities automatically using a phone line. Alternatively, a road sign can be illuminated to warn drivers. Metera: France, 43 20 87 10.

Putting mildness to the test

A range of tests traditionally used to determine the toxicity of chemicals has now been applied by UK chemists Boots to determine the mildness of its latest babycare range.

Working with chemists at Nottingham University, Boots has used in vitro (test-tube) testing of both the components and the final products. Included in the six tests, for example, is a fluoroscein leakage test, in which living cells are used as a barrier to prevent a dye leaking through a grid. By measuring the extent of the leakage once the product is added, scientists can test the damaging potential of the product. The bath products, shampoo, lotion, nappy cream and baby wipes were measured for their damaging effect on the skin and the recovery rate of the skin after use. Boots: 0602 418522.

You'll never be speechless again

Most business people who give speeches know the chill of forgetting what the next slide will be or of losing their notes. The VideoShow Presenter, developed in Berkeley, California by General Parametrics, could solve the problem.

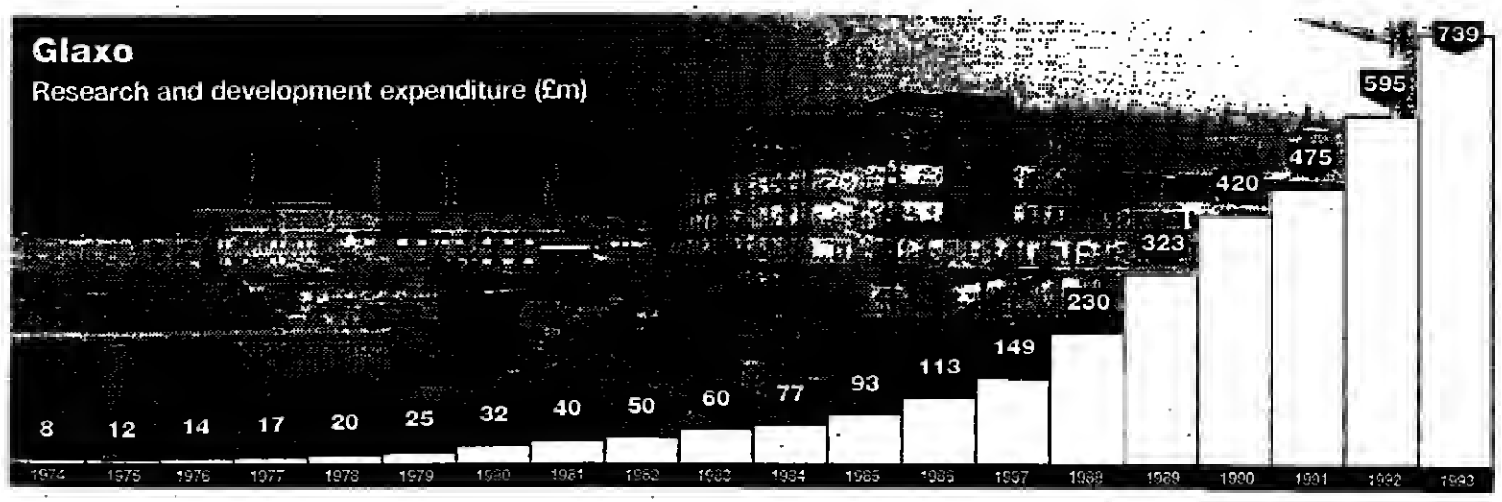
The hand-held device combines the traditional remote control unit with a four-inch colour screen. The screen can display the slide which is being projected – so speakers do not have to turn their backs on the audience – or preview the next slide. The speaker can also call up private notes on the screen as a prompt.

The hand-held unit works directly with PCs or notebook computers and leading Windows-based presentation programs. General Parametrics: US, 510 524 3950.

Scientists struck by lightning

Scientific breakthroughs are frequently represented by a flash of lightning. Now researchers at Nasa, the US national Aeronautics and Space Administration, in Washington DC, has discovered flashes of lightning which are in themselves a scientific breakthrough.

They have recorded for the first time huge flashes of light – some 25 miles long – in the upper atmosphere above a severe thunderstorm. The flashes are as yet unexplained, but could be an electrical discharge, in which case they could present potential problems for high-altitude aeroplanes. Nasa: US, 202 358 0883.



On a mission to divide and rule

Paul Abrahams explains the motives behind Glaxo's R&D shake-up

Glaxo, Europe's largest drugs company, is also one of the world's most innovative. By any standard its research and development labs have in recent decades developed a series of remarkably successful compounds.

These include Zantac, the world's best-selling medicine, which last financial year generated revenues of more than £2.1bn. More recently, the company has launched a series of ground-breaking molecules such as Imigran, the migraine drug, and Zofran, an anti-nausea treatment.

Given Glaxo's R&D record, last week's announcement that it is to reorganise the top of its R&D organisation will be scrutinised by groups trying to emulate its success.

The reorganisation involves splitting the position of R&D director and appointing Sir Mark Richmond, chairman of the Science and Engineering Research Council, as director of research. Goran Ando, the Swedish executive recently appointed R&D director, becomes director of group development and product strategy.

Richard Sykes, Glaxo's chief executive who was elevated from the position as R&D director in March, insists the changes are not merely a result of his promotion.

"Our mission is to create, discover, develop, manufacture and sell prescription medicines. We are 100 per cent committed to prescription drugs. We are not in the business of over-the-counter medicines, distilled water or ice cream."

Sykes insists that if Glaxo is to be successful in prescription drugs, it must develop treatments that are safe and effective and offer added value. "There's little point developing medicines that have little added value," he explains.

Glaxo plans to move into untapped markets not yet satisfied.

"The future success of this company in 10 to 20 years' time will be dependent upon developing innovative medicines," says Sykes.

Innovetive drugs will emerge from a science base undergoing enormous change, according to Sykes. "We are witnessing a paradigm shift in biological science. First, we are increasingly understanding the genetic basis of disease. Every week, 3,000 genes are being identified. And second we know more and more about microbiology – the process of the life and death of the cell."

By understanding the physiology of diseases, scientists will be able to identify target sites for drugs more easily. This offers the potential to develop more effective agents and treat chronic illnesses not well treated at the moment, he explains.

"You have to harness these new technologies. Having access to them is really critical for the future of the company and you need very good people to do it," says Sykes.

"We will have to have a lot of help from the outside. We have 1,500 people involved in research internally, but that is not enough because of the rapid expansion in knowledge base. Most advances are happening in academia and the biotechnology industry, so it's critical to have strong ties.

"In the future, drugs will not come out of the pharmaceuticals industry. They will come from research hontiques working on important targets."

Glaxo has formal links with eight to 10 biotechnology groups. The company also gives money to about 70 per cent of the UK's universities.

"In the past, we have had e traditional R&D organisation. We now need to change the structure to harness and implement the new technologies. It is increasingly difficult for one man to oversee research and development. That is why Glaxo decided to split the functions," he explains.

As for Sir Mark, Sykes says he has exceptional scientific skills from his experience of molecular genetics at Edinburgh University and microhial biology at Bristol University. He has also developed organisational abilities from running Serc and being vice-chancellor of Manchester University. Sykes believes his period at Serc has placed him at the cutting edge of science on an international basis.

He says Sir Mark's contacts in the scientific community will help him recruit top talent for Glaxo's new £700m research complex at Stevenage due to open in 1995. The company will hire a number of additional scientists when the Greenford and Ware operations transfer to Stevenage.

Sykes says another reason for splitting research from development was the huge difference in their objectives. "In research you can't see where you are going. There are lots of different avenues to explore. For development, you know exactly whare you are going. It's just there are e series of regulatory hurdles in the way that you have to negotiate. Conceptually they're very different and you need very different sorts of people to run the two operations."

The development process remains highly critical, insists Sykes. More than 75 per cent of R&D expenditure goes on development, and 25 per cent on research. Glaxo has one of the best development records in the industry, and has set the gold standard for time taken to negotiate regulatory hurdles to new drugs.

"The safety, efficacy and value data provide the platform for the marketing. There have to be close links between the prodnct strategy and development process. That forms the retionale for Ando's appointment," says Sykes.

Ando will be responsible for preclinical development, clinical development, relationship with the regulators, product strategy, information technology, management services and licensing. He will also liaise with the powerful operating companies in Glaxo which explain development requirements of national markets.

Sykes believes his reorganisation will help ensure the group's pharmaceuticals R&D investment – the largest in the world set at £850m for 1994 – is well spent.

First among equals

European and American executives are used to looking around nervously to see what their Japanese rivals are up to, but they do not usually regard modesty as a prime characteristic of the competition.

Yet the fact that Japanese companies tend to underestimate their prowess in bringing innovative products to the market first is a factor in their success, according to the Boston Consulting Group.

"Japanese companies in general are faster [than those in the US or Europe] but are also more self-critical ebout being slow."

After studying 600 companies, it found that among those with turnover exceeding $100m (£65m), Japanese corporations needed an average of 19.1 months to develop a new product against 22.6 in the US and 23.4 in Europe. Below this turnover level, Japanese companies needed 14 months compared with 16 in the US and Europe.

Hans Seifert, a Munich-based partner of BCG, believes Japanese and other southeast Asian companies will increase their strength in world markets, citing trends in the printing sector – where German companies have traditionally been strong – and in vehicles. "The danger for Europeans and Americans lies less in the technological potential of Asian competitors than in their own complacency."

BCG identifies three crucial areas which determine success in being first with new products: simultaneous engineering, with full co-operation and communication early in the development process; early prototyping so opportunities and problems (in components as well as the full product) can be spotted quickly; and a low ratio of design engineers to people in other important functions like marketing, manufacturing and purchasing.

None of these depends on fancy new theories. "These techniques have less to do with restructuring or training and more to do with managing and doing," notes BCG. It is also vital that project teams have adequate power of decision, insists Seifert. Top management should restrict itself to guidance and advice and stay out of the detail.

Andrew Fisher

PEOPLE

Spencer: trial run for academe

One of the UK's best regarded economic commentators is moving to the academic world in a move which may set a new trend for City analysts who feel like a quieter life.

After eight years in the City, Peter Spencer is taking over as professor of monetary economics at Strathclyde University for an initial two-year period.

He will continue to work roughly a day a week at the Kleinwort Benson investment bank, where he has been chief economist since 1991 in charge of an eight-strong team. Spencer, 43, worked as an economist at Lehman Brothers and CS First Boston after entering the City in 1985, just before Big Bang, from a 13-year career at the Treasury.

Spencer explains that the move, which will involve a "large" drop in salary, is part of a long-term plan to give himself more time for serious economic research as opposed to serving up the kind of off-the-cuff comments on economics which City analysts are renowned for. "I've never been sure if I am an academic or a City commentator and now I am trying to be a bit of both," he says.

Spencer admits he will not miss the high-pressure City environment in which clients and traders are increasingly quick to spot errors of judgment made by economists. He himself suffered last year in the aftermath of Britain's exit from the ERM because he had been one of the relatively few City commentators arguing right up to the event that sterling would not drop out of its fluctuation bands.

Among Spencer's achievements has been his contributions to research on the "divisia" measure of monetary growth – a field which some believe could provide a new way of monitoring economic fluctuations. In readiness for the move to academe, Spencer and his family have been saving a lot of his City salary rather than spending it, so he reckons the job switch will not be too financially onerous.

Taylor moves up from Cellnet

Cellnet, the UK's second largest cellular operator, is about to get a new director now that Stafford Taylor is to be promoted to be BT's director of personal communications.

Cellnet, a joint venture between BT and Securicor, lags behind Vodafone in subscribers and profits. But Taylor, managing director since 1989, has emerged with plaudits, given the constraints imposed on Cellnet by BT. Cellnet's successful pioneering of low user tariffs last year is particularly credited to him.

The appointment of a new director – to be announced – will be watched closely for what it says about the priority BT chairman Iain Vallance gives to BT's sole cellular operation. After AT&T's purchase of McCaw, Cellnet's low profile in the BT empire looks increasingly misplaced.

■ Michael Baliman has been appointed to a new position of head of group risk at KLEINWORT BENSON. The creation of a centralised risk management function across all business areas has become a trend among banks, particularly those active in the highly complex derivatives markets.

However, Kleinwort is approaching the project "more from a management angle", according to Baliman. He will head a department of four people, and will be in charge of measuring and managing risk across all Kleinwort's business areas, which include fund management, market-making and corporate finance. "Deciding how many apples equal one orange is not an easy business," he says.

David Felder will succeed Baliman as head of fixed interest investment.

■ Peter Davis, chief executive of REED ELSEVIER, will be co-chairman until Pierre Vinken retires in spring 1995. The chief executive function will be taken over by the executive committee which consists of Pierre Vinken, Peter Davis, Loek van Vollenhoven, Ian Irvine and Nigel Stapleton. When Vinken and van Vollenhoven retire they will become non-executive directors; their places on the executive committee will be taken by Paul Vlak and Herman Bruggink, who will then become deputy chairman.

■ Bill McGrath, group chief executive of WICKES, has been promoted to deputy chairman; Arkadi Bykhovsky, formerly senior vice-president of Noranda Forest, has been appointed chairman of Hunter Timber Group and Malden Timber and thus to the main Wickes board.

■ William Burton, formerly head of strategic analysis for British Airways, has been appointed director of marketing and business development for W.H. SMITH Office Supplies.

■ Heidi Hutter has been appointed by Lloyd's of Loodon as project director to deal with the problems of outstanding liabilities on syndicates from past underwriting years.

She will work on the creation of NewCo, the company to be established by the start of 1996 to reinsure all liabilities up to 1986.

She will also lead a team working to develop a common method to calculate the reserves necessary on the insurance exposures of syndicates in "old years", to deal with claims against asbestos, pollution and other risks. This will help determine the reinsurance terms to be handled by NewCo for the old syndicates after the end of the 1993 underwriting year.

Lloyd's decided recently that it would appoint a project director to prepare for the creation of NewCo, and defer a decision on the appointment of its managing director until nearer the time that it will begin to operate.

Hutter, 35, gained a degree in maths at Cornell University, New York, joined North American Reinsurance Corporation and moved to the Atrium Corporation within Swiss Re in 1983. She has been vice president responsible for underwriting of tha European International Reinsurance Company since 1987.

■ David Low has resigned as a director of STEEL BURRILL JONES; ba was a founder of the Regis Low marine and energy broker which was acquired by SBJ in 1992.
Richard Wood bas been appointed a director of SBJ Stephenson.

■ Lynne Harley has been appointed director of BAIN CLARKESON's Edinburgh office.

■ Peter Roundell, formerly chairman and md of Leslie & Godwin Reinsurance, has been appointed a director of JARDINE THOMPSON GRAHAM.

LEGAL NOTICES

COMPETITION ACT 1980
NOTICE UNDER SECTION 3(2)(b)
Fife Scottish Omnibuses Limited: revised notice

This notice correctly states the matters to be investigated and replaces any previous notification.

Under section 3 of the Competition Act 1980, the Director General of Fair Trading is to investigate whether Fife Scottish Omnibuses Limited ('the company') has been or is pursuing a course of conduct which amounts to an anti-competitive practice.

The matters to be investigated are:
(1) the conduct of the company in respect of:
- the registration of commercial bus services on subsidised routes in the Fife Region of Scotland;
- the method of operating those services;
- the fares charged on those services;
(2) whether that conduct, of itself or when taken together with a course of conduct pursued by persons associated with the company, has or is intended to have or is likely to have the effect of restricting, distorting or preventing competition in connection with the supply of bus services in the Fife Region of Scotland.

If you have any information which you consider would help the Director General, please write to: Office of Fair Trading, Branch CP(I), Room C426, Chancery House, 53/64 Chancery Lane, London WC2A 1SP.

Your letter should arrive as soon as possible if it is to be taken into account in the inquiry.

Notice of Meeting of Creditors
ROLLMED LIMITED
In Administrative Receivership

NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a meeting of the Creditors of the above named company will be held at the Grosvenor Suite, Grosvenor House Hotel, Charter Square, Sheffield on Monday 18th October 1993, at 1.30 pm for the purpose of having an account laid before them, showing the events leading up to the appointment of the Joint Administrative Receivers, the manner in which the administrative receivership has been conducted and the property of the company disposed of, and of hearing any explanation that may be given by the Joint Administrative Receivers.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. A person is entitled to vote at the meeting only if he has given to the Receivers, not later than 12.00 pm on the business day before the above day fixed for the meeting, details in writing of the debt that he claims to be due to him from the company, and this claim has been duly admitted by the Receivers. A creditor entitled to attend and vote at the above meeting may appoint a proxy or proxies to attend and vote instead of him.

M. L. McKillop
Joint Administrative Receiver,
Arthur Andersen, St. Paul's House, Park Square, Leeds LS1 2PJ

Dated this 29th day of September 1993.

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M. L. McKillop
Joint Administrative Receiver,
Arthur Andersen, St. Paul's House, Park Square, Leeds LS1 2PJ

Dated this 29th day of September 1993.

IN THE MATTER OF
MEREHURST (EUROPE) LIMITED
AND
IN THE MATTER OF
THE CYPRUS COMPANIES LAW CAP 113

Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 1st day of November 1993 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Antony Haji Roussos FCCA of Julia House, 3 Themistocles Dervis Street, PO Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, are debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 1st day of October 1993
A Haji Roussos
Liquidator

COMPANY NOTICES

PORTUGUESE GOVERNMENT 3% EXTERNAL DEBT 1902

In accordance with the law of the 14th May 1902 and the Decree of the 9th August of the same year the Sinking Fund Instalments due 1st July 1993 have been effected by the Junta do Credito Publico in Lisbon as follows:-

1ST SERIES BONDS

Purchases in the market consisted of 40 bonds of £20.00 totalling £800.00. The balance of the instalment was made up by the drawing in Lisbon of 1850 bonds of £20.00 each and 290 bonds of £100.00 each, having a total value of £66,000.00

2ND SERIES BONDS

Purchases in the market consisted of 1 bond of £19.90 totalling £19.90. The balance of the instalment was made up by the drawing of 300 bonds of £19.90 each, and 10 bonds of £99.50 each, having a total nominal value of £6,965.00. In accordance with the terms of the General Bond, bonds of this series are repayable at a premium of 25% of their face value.

3RD SERIES BONDS

The instalment has been met by the drawing of 4055 bonds of £19.90 each and 186 bonds of £99.50 each having a total value of £99,201.50 together with an equal number of non interest bearing bonds.

The above-mentioned drawn bonds are repayable from 1st July 1993 to 31st January 1999 and those stamped by the Portuguese Financial Delegate for payment in sterling may be presented for repayment at the Securities Department Counter of BARING BROTHERS & CO., LIMITED, Broadgate Branch, 155 Bishopsgate, London EC2M 3XY, where lists of the numbers of the bonds and lodgement listing forms for the drawn

MINISTER OF PRIVATISATION OF THE REPUBLIC OF POLAND

INVITES TO NEGOTIATIONS

for the purpose of share purchase in:
1) ZSI "POLAM-SZCZECINEK" S.A.
2) "POLAM-MYSLAKOWICE" Sp. z o.o.

The Minister of Privatisation acting on behalf of the State Treasury pursuant to article 23, Law on Privatisation of State-Owned Enterprises of July 13, 1990 (Dz. U. No. 51/90, item 298 with subsequent amendments) invites investors interested in the purchase of not less than 10% shares in above mentioned Companies to submit their offers.

According to article 24 Law on Privatisation of State-Owned Enterprises up to 20% of the shares will be offered to employees of the Companies.

Zaklady Sprzetu Instalacyjnego "Polam-Szczecinek" S.A. seated in Szczecinek is one of Poland's major manufacturers of electrical installation accessories (switches, couplers, extension cords, plugs). The Company's sales in 1992 amounted to 294 billion zlotys.

Limited Liability Company "Polam-Myslakowice" seated in Myslakowice is an important producer of electrical porcelain and other electrical installation accessories (fuse-carriers, fuse-bases). The Company's sales in 1992 totalled 84 billion zlotys.

Please submit your offers to "INTERBANK" S.A. (advisor of the Minister of Privatisation) within three weeks from the date of this invitation.

ADDRESS:
"INTERBANK" S.A.
Foksal Str. 19
000-372 Warsaw
fax. (48-22) 26-15-20, tlx. 81-79-26 itban pl
tel. (48-22) 26-45-72, 26-43-75
(48-22) 26-21-69, 26-29-79

Contact: Ilona Blaszczak-Przybycinska, Teofil Kloda

Information Memoranda about the said Companies will be available to prospective investors after signing the confidentiality agreement.

The Minister of Privatisation reserves the right to extend the deadline to submit offers, cancel this invitation or refrain from commencing negotiations without stating reasons.

ANNOUNCEMENT
PUBLIC AUCTION FOR THE HIGHEST BIDDER

GREEK EXPORTS S.A., established in Athens at 17 Panepistimiou Street and legally represented, in its capacity as Liquidator, in accordance with article 46a of Law 1892/1990 as supplemented by article 14 of Law 2000/1991 and following Decision No. 5749/1993 of the Athens Court of Appeal

announces

a Public Auction for the Highest Bidder, with sealed, binding offers for the purchase, as a whole, of the assets of the société anonyme COMMUNAL COOPERATIVE COMPANY FOR THE EXPLOITATION OF LIGNITE IN THE KYMI AREA (KOLSELI.K.S.A.) which is under special liquidation. The company is established at Kymi, Euboea and is engaged in the exploitation of the underground lignite mine of Kymi (Harcopos), i.e. mining lignite and selling it.

1. Parties interested in taking part in the auction are invited to receive the Offering Memorandum from the Liquidator and the draft letter of guarantee in order to submit a sealed, binding offer to the Notary Public appointed to the auction, Mr. Spyros Mangos (Tel. +30-222-22866) up to 1900 hours on Thursday, 21st October 1993.
Bids must be submitted personally or by a legally authorised representative.
2. The bids will be unsealed before the above-mentioned notary on Friday, 22nd October 1993 at 1000 hours and in the presence of the Liquidator. Persons having submitted an offer by the appointed time are also entitled to attend. Offers submitted beyond the appointed time will not be accepted or considered.
3. The sealed, binding offers must clearly state the offered price for the purchase, as a whole, of the assets of the company and must be accompanied by a letter of guarantee, from a bank legally operating in Greece, for twenty million drachmas (Drs. 20,000,000) or its equivalent in U.S. Dollars (U.S.$).
4. The highest bidder shall be deemed the one whose offer was judged by the Liquidator and approved by the majority of the company's creditors as being in the creditors' best interests.
5. The expenses for the transfer of the assets for sale (taxes, stamp duty, notary and mortgagor's fees, deeds and other expenses for drawing up topographical plans in accordance with Law 651/77, etc.) are to be borne by the buyer.

For any further information interested parties should apply to:
GREEK EXPORTS S.A.
17 Panepistimiou St. (1st Floor)
Athens, Greece
Tel. +30-1-3243111 to 3115

A 'presentation drawing' of Cleopatra by Michelangelo

Drawn to Michelangelo

Susan Moore visits the Casa Buonarroti in Florence

Italy's museum revolution is gathering momentum. Earlier this year, the new Minister of Culture Alberto Ronchay decreed that the country's notoriously inhospitable state monuments, museums and galleries should be open from 9 a.m. to 7 p.m. No more apologies pinned to firmly closed doors. No more closures at two.

Over the summer in Florence, for example, some 20 museums welcomed visitors for late evening viewing too. The city's museums have authorised an unprecedented number of loans to London's Accademia Italiana for a Lorenzo the Magnificent show which opens later this month. A few years ago, such a project would have been unthinkable.

This cultural perestroika is also affecting what the public sees. Visitors to one of Florence's least known small treasure houses, the Casa Buonarroti, off the tourist track in via Ghibellina, will find 18 of its finest Michelangelo drawings on show together for the first time (until October 31). Their display is a bold move in a country where museums tend to exhibit facsimiles of drawings rather than originals.

Michelangelo never lived at the Casa Buonarroti. The present house was built on a site he bought for his nephew and later decorated by his grandnephew Michelangelo the Younger with frescoes which turned tha master's life into history. *Loans and gifts* supplementing the family holdings, including works returned by the Medici, have transformed the house into a veritable shrine.

Alongside portraits by Bugiardini and Daniele da Volterra is the most recent addition to the Michelangelo iconography: a marble group of the young Michelangelo sculpting the famous head of a faun by one Cesare Zocchi (1851-1922). It seems a fearless act of homage seen beside Michelangelo's technically daring low-relief "Madonna of the Steps" and the tumult of intertwined figures in the "Battle of the Centaurs".

The greatest glories of the drawings collection have long since gone, dispersed by the family and now largely divided between the British Museum and the Ashmolean Museum in Oxford. What remains, as represented here, is a fascinating group that reveals a great deal about the artist's range, working practice and ever astonishing inventiveness.

We find figures studies and compositional sketches in pen and ink, black chalk and red chalk, plans and elevations of churches and schemes for city fortifications. There are vigorous working drawings precise enough to be used by craftsmen, alongside extraordinary flights of imagination. A few swift strokes of the pen on a letter to a friend describe how he painted the Sistine ceiling.

Many of the drawings reveal Michelangelo's obsessive desire not to waste paper, even though paper was no longer a luxury commodity. One particularly beautiful early figure drawing, after a figure of Hercules on an antiqua sarcophagus relief, was kept for some 20 years before being folded in four and its verso re-used for jotting down expenses. The list includes the cost of a pair of slippers for his nephew and heir Leonardo.

It is typical of Michelangelo's genius as well as his frugality that his sketch for the elevation of San Lorenzo should be only some 10cm wide and free-drawn in soft red chalk with little concern for accuracies of scale or proportion. Other sheets here show him trying out various schemes for the great staircase in the vestibule of the Laurentian Library and designing the desk and benches for the reading room inside. On a drawing for the base of a pilaster in the New Sacristy, he cannot resist adding an eye and a few extra touches to turn the elaborate moulding into a profile of a gaping-mouthed human head.

Most remarkable is a design for the monumental Porta Pia in Rome, the city gate commissioned by Pope Pius IV and still immortalising his name. In this much altered pen and wash drawing, heightened with white bodycolour, Michelangelo has given his design a sculptural richness never previously seen in architectural drawing.

In pride of place in the collection is one of the so-called "presentation" drawings. These exquisite chalk drawings were conceived as works of art in their own right and given to his closest friends. This idealised head of Cleopatra was presented to the Roman nobleman Tomasso dei Cavalieri. Its recently uncovered verso presents an altogether more convincing image of the queen post asp, wide-eyed and screaming.

Tomasso was obliged to surrender the drawing to Duke Cosimo de' Medici. In a letter lamenting its departure, he said that it was like losing one of his own children.

Opera/**Max Loppert**

The Rape of Lucretia – fortissimo

The music is the main reason for celebrating the return of English National Opera's ten-year-old *Rape of Lucretia*. This first of the Britten chamber operas is nowadays one of the less often performed of his stage works, yet it boasts one of the most ravishing and finely fashioned of all his scores.

In the Coliseum – London's largest theatre and therefore, one would once have thought, miles too large for it – the instrumental filigree fills out the spaces with unforced, unexaggerated radiance. A single phrase for the harp conjures up images of Lucretia's serene domesticity (did any theatre-composer ever re-imagine the instrument more inventively than Britten?); the stuttering cor anglais lament after her rape achingly uncovers thoughts and feelings temporarily too painful for verbalisation.

If, indeed, one wanted to demonstrate the mysterious power of music to make fully-fledged drama out inadequate verbal material, it is *The Rape of Lucretia* that one might well scan for particularly pointful examples. The artiness of Ronald Duncan's verse-libretto becomes no easier to bear with the passing of the years. Yet, since the dramatic scheme beneath the poetastery suggested possibilities to which Britten was responsive, the opera becomes through its music an intensely affecting drama of adult people and adult emotional conflict.

The music is well treated – and very well played – in this ENO revival. It is not yet unfolded with ideal containment and reticence: on Wednesday the conductor, David Parry, seemed too intent on urging drama, force of statement, maximum volume from all his performers, and insufficiently trustful of the score's innate carrying power.

The performance was certainly kept moving; there was no slacking of the reins. But there is a kind of expressive delicacy that one recalls from *Lucretia* performances long past, and which – to its slight detriment – this one lacked.

Vocally likewise: while the current ENO cast contains voices of genuine "operatic" amplitude and authority, much more so than the English Opera Group used to have at its disposal, the use of those voices was not always disciplined to tapping the sense of the musical lines. Kim Begley, now a splendid dramatic tenor in full sail, apt for Lohengrin or Siegmund in any theatre, rang out from on high as the Male Chorus; *mutatis mutandis*, the same qualities could be admired in Rita Cullis's *Female Chorus*. Understatement was not an option chosen by either singer; nuance was missing.

The other male members of the strong cast – Peter Coleman-Wright (Tarquinius), Paul Napier-Burrows (Junius), even Richard van Allan's well-remembered Collatinus – also needed to draw in their vocal horns. The other females commanded much more of the refinements on which the vocal writing is predicated: Jean Rigby once again a direct, deeply moving Lucretia (apparently not in best voice), Yvonne Barclay a light, pretty Lucia, and – best of all – Catherine Wyn-Rogers a Bianca of grave, calm steadiness of utterance.

In 1983 Graham Vick's spare production, with its wooden platform, screens, balconied walkway and absolute frankness of statement, carried a fierce dramatic charge; rehearsed now by Sally Day, it seemed plain but not always dramatically potent. But tha wonderful beauty of the music is never scathed or slighted: which is grounds enough for warmly welcoming the revival.

English National Opera at the Coliseum, London WC2: in repertory until October 21

Alastair Muir

Jean Rigby in the title role with Peter Coleman-Wright as Tarquinius in Britten's chamber opera

The Lille Festival/**Antony Thorncroft**

A little light train music

Michael Nyman and Siobhan Davies were asked to celebrate the arrival of TVG, the super express

While the government blusters and British Rail agonises over the UK link to the Eurotunnel, the French are celebrating the arrival of the TGV, the superfast express, to their northern shores. On Sunday the first train reached Lille from Paris in an hour and former French prime minister Pierre Mauroy joined Jacques Delors and any number of dignitaries at the grand concert for the premier of a commissioned paean to the achievement, "MGV, Musique Grande Vitesse".

But if the British are pathetic at rail investment, they still lead in the arts and the gala was dominated by British creativity. *MGV* was composed by Michael Nyman and the entire evening was given over to his music. The new work shows his strengths as a writer of the classical pastiche. It should feature regularly on *Friday Night is Music Night* and be none the worse for that. A child could follow, through the music, the journey of the TGV as it quickly moved into a regular chug. It proceeded with few stops, overcame a nasty incline near the end, and suddenly hit the buffers at the finale.

Last week Harrison Birtwistle called for more light music, and it is an area where Nyman, with many film scores behind him, excels. He is fond of hammering a note, and a phrase, to minimalist depth, and this works well for the monotony of a train journey. *MGV* could easily become the Eurotunnel anthem, offending, exciting few, a reassuringly safe evocation of bi-national co-operation.

Earlier Kathryn Stott played *The Piano Concerto*, Nyman's music for the film *Piano Lesson*. By its nature this is background music, brooding, descriptive, but inevitably transitory in its grip. Stott stuck to it, but was given few opportunities to sparkle.

Nyman had been commissioned by the Lille Festival, which over 20 years ago was the first arts festival to rebel against the centralising grip of Paris. It is now showing some muscle under director Brigitte Delannoy. Every year there is an international scene. For 1993 it is the Orient Express (*The TGV* by itself was considered too limiting). In contrast the Orient Express traversed the continent, so the festival, which concentrates on music and film, calls on musicians and styles from Vienna, Budapest and all the Balkan stopping points east.

It also called on the Siobhan Davies Dance Company to perform *Different Trains*, the work Davies choreographed to the music of Steve Reich. It was re-staged for Lille, Davies having the confidence to add to the characterisation of the dancers. It is a powerful piece with Reich's driving minimalist score played by the Smith Quartet against the tape of a recorded quartet and fragmentary and distorted words. The energy of the music, in which Reich remembers trans-American train journeys of his youth and the cattle trucks that took his relatives to Nazi concentration camps, is matched by the rapid, agile, gestures of the dancers as they run from their fate. *Sometimes their* movements reflect the petty preoccupations of peacetime; but the darker depths of entrapment give the work its dynamic strength. A giant cog turns as the backdrop, reflecting the wheels of the train and the remorseless fate. Davies' journey is a much more significant and affecting experience than that of Nyman.

Also performed was her latest work, *Wanting to Tell Stories*, an elusive, less concentrated work, but fine at relating bodies and poses and then separating them through the screens of wire netting designed by David Buckland. If you feel slightly cheated by the abstraction you can enjoy the maturity of the dancers, rolling with the rhythms and still finding their moments of ambiguous stillness.

Next year the Lille Festival takes as its theme *The Promised Land*, the hope coming from the Israeli Palestine talks, although Delannoy chose the subject before the recent breakthrough. This festival will grow in size and influence. The local authorities are supportive with cash: a 6,000 seat arena and a 1,000 seat music theatre are rising near the new station. The Lille Festival grew up to entertain and stimulate the locals but by next September Lille will be an hour from Paris, less than 30 minutes from Brussels – and just two hours from London. Lille is going European and wisely using the arts to anchor itself at the epicentre of the new market place.

Concert/**John Allison**

Unique sound of the Czechs

The Czech Philharmonic Orchestra is on a three-concert visit to London – two in the Barbican's "Great Orchestras of the World" series, one in the South Bank's Czech Festival. Wednesday's at the Barbican offered two of Dvořák's warhorses, the Cello Concerto and the "New World" Symphony. A neat pairing of late works from the composer's American period, the programme picked up two historical threads – 1993 marks the centenary of the symphony, which was also conducted by Dvořák himself as part of the Czech Philharmonic's opening concert in 1896.

For their authenticity alone the orchestra's Dvořák interpretations demand attention. But there is no resting on historical laurels: the players are equally rich in tradition and imagination. They produce a distinctive, indeed unique, central European sound – warm strings, vibrant winds, raspy brass (the horns especially characterful) – that sets the band apart from the homogenised super-orchestras of the West.

The Czech Philharmonic's conductors have been distinguished. Wednesday's concert was to have been led by one of the notables in the line, Václav Neumann, but his indisposition brought a replacement in Vladimír Válek, principal conductor of the Czech Radio Symphony Orchestra. He was efficient, but the concert belonged to the orchestra and, in the concerto, to the commanding soloist.

He was Lynn Harrell, who proved himself alert to the work's rhapsodic detail and formal structure; the performance was enriched by the obvious mutual admiration of cellist and orchestra. Harrell dug affirmatively into the opening statement, and thereafter provided playing by turns fervent and lyrical. Flighty in the passage-work, he was warm of tone in the moments of tenderness.

Válek's account of the symphony was less comfortable. He conducted confidently, from memory, with superficial results. The scherzo sounded restless, even improvisatory, the outer movements fiery but pushed; the finale, especially, was brash where it should have been broad. Válek responded best to passages of folk-like jollification – where tha Dvořák of the Slavonic Dances is evoked (we heard two of them as encores – and to the Largo, a slow, poetic performance allowing one to revel in the orchestra's matchless sound. There is a chance to sample more of it in the concerts conducted by *Libor Pešek* (at the Barbican) and *Jiří* Bělohlávek (at the Festival Hall) this weekend.

INTERNATIONAL ARTS GUIDE

Unlike most contemporary music festivals, Wien Modern is a genuinely popular event in the Viennese musical calendar. Claudio Abbado founded the festival in 1988, and it has gathered momentum with each succeeding year, thanks in part to strong financial support from the city of Vienna and the Austrian government. The Viennese public has lapped up the imaginative programmes, and the organisers have done everything possible to make the festival accessible to a wide audience. So if you visit Vienna in November and want to go to a concert, it is hard to avoid Wien Modern.

This year's festival runs from October 26 to November 28. The music of four composers provides the backbone to the programme: this year's choice falls on Krzysztof Penderecki, Toru Takemitsu, Austrian composer Erich Urbanner and the late Bernd Alois Zimmermann. Others well represented are Messiaen, Cerha, Birtwistle and Mark Anthony Turnage, one of whose works (This Silence) forms part of a programme conducted by Abbado on November 6.

The opening programme at the Konzerthaus is devoted to Zimmermann's Requiem (1967-69), with the Slovak Philharmonic Orchestra and Chorus conducted by Zoltan Pesko. Other Zimmermann events include concerts conducted by Michael Gielen, Peter Eötvös and Hans Zender, and a performance of the Violin Concerto by Ernst Kovacic. The religious orientation of much of Penderecki's music is acknowledged in performances of his St Luke's Passion, the Polish Requiem and Te Deum. Penderecki himself will conduct several concerts.

The concerts are supplemented by films, exhibitions and meet-the-composer sessions (Tickets and information: Wiener Konzerthaus, Lothringerstrasse 20, A-1030 Vienna. Tel 712 1211 Fax 712 12 114)

EXHIBITIONS GUIDE

AMSTERDAM

Van Gogh Museum Philippe Rousseau and Louis Welden Hawkins: neither Rousseau's still-lifes nor Hawkins' symbolist and decorative paintings are the work of a master, but they recall the striking rola these 19th century French artists played in their own milieu. Ends Nov 14. Daily

Rijksmuseum Rembrandt in a new light: seven restored paintings. Ends Nov 1. Closed Mon

ANTWERP

Ethnographic Museum Masks from Zaire: an extensive collection from the Zaire basin, selected for their cultural as well as aesthetic value. Ends Dec 31. Closed Mon

Museum Mayer Van den Bergh The Triumph of Death (1626): a recently-discovered painting by Pieter Brueghel the Younger, on public show for tha first time. Ends Dec 31. Closed Mon

Hessen House Story of a Metropolis: a portrait of the Golden Age of Antwerp in the 16th and 17th centuries. Ends Oct 10. Closed Mon

BERLIN

Martin-Gropius-Bau Japan and Europe 1543-1929. Ends Dec 12. Closed Mon

Brücke Museum Ernst Ludwig Kirchner: drawings and watercolours from the museum's own collection, covering all stages in the career of the German expressionist painter. Ends Jan 9. Closed Tues

FLORENCE

Casa Buonarroti Michelangelo - 18 masterpieces: these are the top drawings out of the 200-strong collection owned by the Buonarroti Foundation. All are of the highest quality, and all are signed by the artist. Ends Oct 30

Galleria del Costume di Palazzo Pitti Fashion at the Court of the Medicis. Ends Dec 31

FRANKFURT

Städel Gustave Le Gray and Carleton Watkins, Pioneers of Landscape Photography: a collection of large mid-19th century photographs of French and American landscapes, on loan from the Getty Museum. Ends Nov 7. Closed Mon

GENEVA

Musée d'art et d'histoire Egyptian Fabrics: a large private collection illustrating the techniques and richly-decorated styles which developed in tha transition from the Coptic to the Islamic eras in Egypt. Ends May 1. Closed Mon

LONDON

Hayward Gallery Alphonse Mucha: first comprehensive UK retrospective for 30 years of the Czech Art Nouveau artist, renowned for his fin-de-siècle posters in Paris. Ends Dec 12. Aratjara: the most comprehensive exhibition of Aboriginal art ever seen in Europe. Ends Oct 10. Daily

Royal Academy of Arts American Art in the 20th century. Ends Dec 12. Daily

Whitechapel Art Gallery Lucien Freud. Ends Nov 21. Closed Mon

Institute of Contemporary Arts Jean Nouvel. Ends Oct 25. Daily

Tate Gallery Edward Burne-Jones. Ends Nov 7. Daily

National Gallery The Wilton Diptych. Ends Dec 12. Daily

LUGANO

Villa Favorita Lost Empire of the Silk Road: a remarkable collection of 87 well-preserved pieces of Buddhist art from the 10th to 13th centuries, which lay buried under the sands of the Ghobi Desert, until they were uncovered during archaeological research in 1908. Also 19th and 20th century paintings and watercolours from the Thyssen-Bornemisza Collection. Ends Oct 31. Closed Mon

NEW YORK

Metropolitan Museum of Art The Annenberg Collection: 53 impressionist and post-impressionist paintings, watercolours and drawings, surrounded by the museum's own world-renowned collection of 19th century European paintings, all displayed in a newly-reconstructed suite of 20 rooms. The Annenberg Collection is on display till mid-Dec. Also Tang Family Gifts of Chinese Painting: 10 handscrolls, hanging scrolls and albums from the 11th to 18th centuries. Ends Feb. Closed Mon

Guggenheim Museum Paul Klee: 60 works from the museum's own collection. Ends Oct 31. The main museum is closed on Thurs, the SoHo site on Tues

Museum of Modern Art Robert Ryman: 80 works by the American abstract artist renowned for his white paintings. Ends Jan 4. Gabriel Orozco: first US one-man exhibition by the Mexican sculptor and photographer. Ends Oct 18. Closed Wed

PARIS

Musée d'Orsay From Cézanne to Matisse, Masterworks from the Barnes Foundation: an extraordinary exhibition of 80 of the finest impressionist, post-impressionist and early modern paintings, often completed or confronted by paintings from the Musée d'Orsay's own collection. Ends Jan 2. Closed Mon, late opening Thurs

Musée des Arts Décoratifs Fabergé : exquisite goldsmiths' work produced in Russia by the firm of Carl Fabergé from the 1870s to 1918. Ends Jan 2.

Grand Palais Les Nabis: at the end of the 19th century, a group of committed young painters, including Bonnard, Vallotton and Vuillard, influenced by Gauguin's symbolism and the technique of Japanese engravings, used flat surfaces of pure colour to usher in modernity. Ends Jan 3. Closed Tues, late opening Wed

Petit Palais Masterworks from Leipzig: 65 oils and 104 drawings, comprising works from the German renaissance, 17th century Dutch paintings, 16th and 17th century Italian drawings and the German romantic movement. Ends Dec 5. Closed Mon

ROME

S Michele a Ripa Borghese Collection: works by Titian, Caravaggio, Rubens, Raphael and others, on show in this deconsecrated church while the villa in the Borghese gardens is being restored. Ends Dec 31

ROTTERDAM

Museum Boymans-van Beuningen Richard Prince (b1949): more than 100 photos, objects, drawings and paintings created by the New York-based artist since 1977, drawing on the rich source of American consumer culture. Ends Nov 28. Closed Mon

STUTTGART

Staatsgalerie From Bernini to Piranesi: 140 sketches, drawings and plans by the leading architects and illustrators of baroque Rome, selected from major international collections including Windsor Castle and the Vatican. Ends Dec 12. Oskar Schlemmer: 150 paintings, sketches and drawings by the influential Bauhaus teacher, who was later denounced as degenerate by the Nazis. Ends Nov 14. Closed Mon

Württembergischer Kunstverein The Gardens of Islam: paintings, carpets, ornamental drawings, ceramics and fragments of the Koran, from countries as far apart as Morocco and Indonesia, all evoking the exotic grandeur of traditional Islamic art. Ends Oct 31. Closed Mon

Galerie der Stadt Keith Haring (1958-90): 200 woodcuts, lithographs and drawings by the talented New Yorker who began as a graffiti artist. Ends Nov 7. Closed Mon

VIENNA

Albertina Landscape in the Century of Rembrandt. Ends Nov 14. Daily

Kunsthalle The Language of Art: a survey of the relationship between text and picture in 20th century art, from the Cubists to the present day. Ends Oct 17. Closed Tues

WASHINGTON

National Gallery of Art John James Audubon: 90 watercolours selected from the mammoth set of images made by the early 19th century American naturalist-artist for his famous print series Birds of America. Ends Jan 2. Lovis Corinth: 74 prints and drawings by the German turn-of-century painter. Ends Feb 21. Daily

Walters Art Gallery Artists of Ecouen. Ends Feb 6. Closed Mon

National Museum of American Art Pueblo Indian Watercolours. Ends Nov 29. Daily

Fight over a hill o' beans

Deborah Hargreaves and Alison Maitland on coffee farmers' attempts to raise prices

The glamorous advertisements of the world's big coffee processors contrast sharply with the blunt tactics of the less wealthy farmers who grow the coffee beans.

Today 40 coffee-producing countries, representing 90 per cent of world exports, will start withholding some supplies from the market in an attempt to force up prices. The fact that they are almost certain to lose revenue by their action underlines their frustration at the collapse of coffee prices in recent years.

World bean prices have halved in the four years since the International Coffee Organisation's price support scheme collapsed in 1989, when buyers and suppliers failed to reach agreement on renewing the pact. The cost to farmers of the fall in prices, in terms of revenue foregone, has been $3bn (£1.9bn) a year.

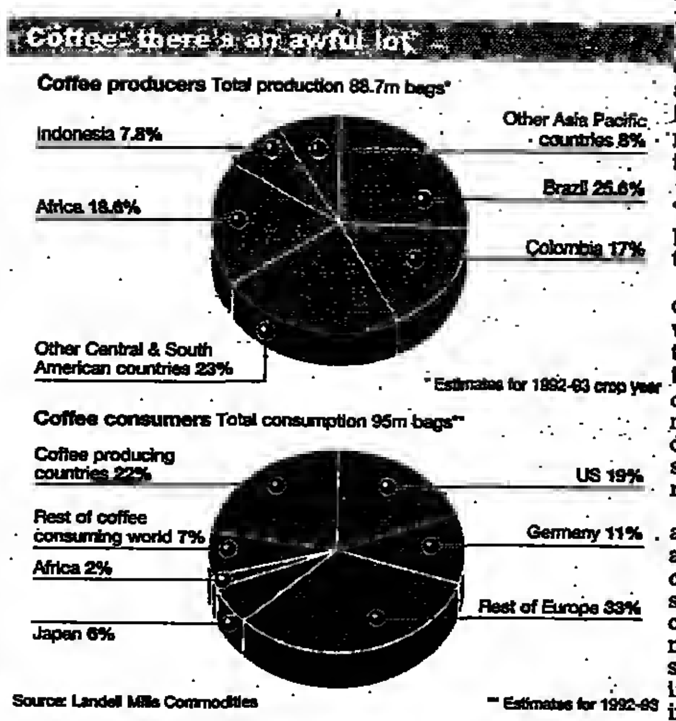
But because the fall in coffee bean prices has not been reflected in the supermarkets, the international food companies such as Nestlé, Sara Lee and Kraft General Foods have seen their earnings rise in the world retail coffee market, which is worth $30bn a year.

Consumer prices have fallen by only 5 to 10 per cent since 1989. Twin Trading, the commodities trading company, estimates that the cost of coffee beans in a 100g jar of instant is 20p, compared with 40p in 1988, but the supermarket price has remained at about £1.60.

In their defence, the big processors say they want to keep prices stable. But the effectiveness of brand loyalty has made demand for many of their products insensitive to price changes. They have spent heavily on marketing to promote brand names and defend market share: expensive adverts such as that for Nestlé Gold Blend cost as much or more a jar than the coffee beans.

A UK Monopolies and Mergers Commission report two years ago, though clearing Nestlé of abusing its dominant market position in Britain, showed that its return, before interest, on sales of instant coffee was as high as 36 per cent.

Such figures have convinced the bean producers that they have a case for taking action to boost their share of the profits in the coffee market. "It annoys us that coffee consumption has not been increased because of the drop in price, but the roasters are just getting richer," said Mr Nestor Osorio, who represents Colombia's coffee growers at the International Coffee Organisation in London.



Source: Landell Mills Commodities

Mr Osorio admits the action planned by producing countries is a last resort, following the failure of an attempt in March, under the auspices of the coffee organisation, to revive the agreement between producers and buyers. Though they have since rebounded, average world prices fell to 44 cents per pound in August last year – the lowest level since 1974 – from levels of 120 to 140 cents per pound during most of the 1980s.

"Some of the countries in the scheme are heavily dependent on coffee for their revenues and they have been damaged by these low prices," he says.

Under the terms of the retention agreement, which Brazil has offered to administer, producers will reduce their exports by 20 per cent until the world price hits 75 cents a pound. If prices rise above that level, they will withhold 10 per cent of exports until the price reaches 85 cents per pound, when retention will stop.

The plan has already had an impact on world markets. Prices have risen to about 70 cents a pound in anticipation of today's launch. But coffee brokers suspect that the producing countries will find it hard to hold the pact together if prices rise just a little above the current level, particularly as the short-term costs to producers of the agreement could be considerable.

Observers are sceptical whether any price fixing deal is possible in a sophisticated market

Past attempts to fix coffee prices have relied on the co-operation of governments of consuming countries monitoring imports to ensure that producers are sticking to their quotas. "Without the support of the consumers, which have always monitored the pacts in the past, it makes it much more difficult to check the flow of coffee," said Mr Peter Kettle, head of research at ED&F Mann, the London trading house.

Though some producing countries are still hopeful that agreement might be reached with the consuming countries, the latest pact has been drawn up without them. Indeed the US, the largest market for coffee, cancelled its membership of the International Coffee Organisation last week in protest at the producers' action.

At the same time, coffee market observers are sceptical whether any kind of price fixing deal is possible in an increasingly sophisticated commodities market. The souring of relations between producers and consumers, stemming from the failure to reach agreement in March, has made the task still more difficult.

Mr Osorio complains of the "greed" of the marketing companies which wanted to boost their profit margins.

But one US trade official and commodity negotiator, said it was the producers who expected too much. "I used to think that these commodity pacts could work, but there's too much greed. As soon as producers get together with consumers, they expect prices to rise."

The difficulty in fixing prices at a level which suits buyers and suppliers is common to all commodities. Though often seen in the 1970s by developed countries as a means of channelling aid to the third world, such policies fell from favour in the 1980s when huge increases in output by producing countries made schemes costly to run. In 1985, for instance, the International Tin Council's support for prices collapsed, causing difficulties for many producers. Attempts to fix cocoa prices have also broken down.

"You need to set prices at a level that ensures demand carries on growing, but also that production is not excessive," says Mr Lawrence Eagles, commodity analyst at GNI, the London securities house. Even the Organisation of Petroleum Exporting Countries, the world's most successful producers' club, has not achieved its price targets in recent years.

The success of the coffee producers' latest attempt to raise coffee bean prices will be evident on the world's commodity futures exchanges in the next few weeks. Producers say that if the processors absorb the extra cost by cutting margins, any rise in world coffee prices should have little effect on consumers. But they may be wrong in assuming that the consequences of their attempt to force up prices will make processors face that dilemma.

Joe Rogaly

One more heave

In June he was the most unpopular prime minister since opinion sampling began. The Labour opposition had led in the polls since he took office in 1990. Yet he has now called a fresh ballot, for November 6. No sooner had he announced it than Labour fell eight points behind. Perhaps it had something to do with the central bank's forecast of a couple of years of steady, sustainable, non-inflationary growth.

The hero of the above little history, which has not yet been fully played out, is Mr Jim Bolger, prime minister of New Zealand. That is about as far as you can get from Britain, yet the story has not been lost on Mr John Major. Aware of his own poll rating, which is also at a record low, the British prime minister might be expected to recite the list of contemporary heads of government who are out of favour, and to name some who have recovered popularity after a bout of mid-term disaffection. I fancy he likes the Bolger story best.

The forecast for New Zealand is 2¼ per cent plus annual growth. The British rate has reached about 2 per cent. It looks sustainable and non-inflationary, but stuck on a plateau. Contemplating the economic outlook while sitting at his table in the cabinet room, Mr Major muses that this is due to pre-Budget blight. Warnings of tax increases have made consumers cautious. Once the November statement is out of the way, the rate of growth will accelerate.

This prospect of prosperity will be played upon at the Conservative conference next week. It may be combined with some softening-up for the combined Budget and spending announcement to come. One more heave, the Tories will be told, and the country's finances will be sound. The long journey through the wastelands entered when Mr Major became chancellor and saw the need to conquer inflation will be over. It has to hurt for just a while longer to work.

Contemporary opinion is harsher than that. It says that Mr Major is a weak prime minister, not up to the job, lacking in grip. He might reasonably reply that this is the picture put in people's heads by the media, many leading elements of which turned against him over Maastricht. As to grip, no prime minister for the past 35 years, not even ones resting on large, comfortable, parliamentary majorities, has held firm to counter inflation as he has done, even through the build-up to last year's election. Now, partly thanks to an unplanned devaluation last September, a strongly competitive British economy may be in for a period of high growth and low inflation.

To adapt language Mr Major might use, he would go into the jungle with his chancellor and not be afraid to turn his back

I have no more idea than anyone else what Mr Major's strategy of gratification postponed will do for the Conservatives, or even whether the prime minister will keep his job until the next election. If pressed, I would hazard that the odds are slightly against him. Yet the current epidemic of forecasts of his political demise *may* work itself out. The case that he will not go, the argument that the prime minister rests on, should be rehearsed.

If anyone were to look him in the eye and, after reminding him of the vilification he has endured over the past year, ask whether he thought it worth carrying on, he would say he was elected to do a job and will not simply pick up his bat and walk from the crease. There is no expectation in Downing Street of a leadership challenge, partly on the ground that no conceivable challenger would get the 30 signatures necessary under Conservative party rules.

Mr Major is in a blunt, combative mood. He has acquired a carapace of hardness I have not seen in him before. He is looking well, and talking as if fate has more in store for him than the role of an interim successor to Lady Thatcher. Aware that he plays best in one-on-one conversations he has met some 200 local party bigwigs. He will continue his tours of the constituencies. The soapbox that featured in the April 1992 election will be deployed where appropriate. He intends to pursue a personal campaign to restore Conservative morale – and, I presume, faith in his leadership.

The core of history's justification of his position might run as follows: he has taken everything that could be thrown at him for two years. Why? To maintain the unity of the party. Had he come down hard on one side or the other on Europe the Tories would have smashed themselves to smithereens. Maastricht was the best deal for Britain and party unity. Once negotiated, no prime minister could renege on it; had Parliament rejected the ratification bill, Mr Major would have resigned.

He has no evident fear of being asked to make way for Mr Kenneth Clarke, the chancellor and present darling of the media. To adapt the language Mr Major himself might use, he would go into the jungle with his chancellor and not be afraid to turn his back. The two are cricketing and football buddies. When Mr Clarke was minister of health and under siege by nurses and doctors, Mr Major, chief secretary to the Treasury, offered support. In any case, a change of leader so soon after the last would be damaging for the party and not necessarily worth it.

History may demand more. It may ask for a sense of where the Conservative party plans to take the country. Mr Major can only reiterate known policies: pursuit of the health reforms (going well); the education reforms (not); the Citizen's Charter, which will make life better for ordinary people; a fresh look at the structure of Europe; and, above all, the restoration of economic health after a long struggle starting with his chancellorship.

Perhaps his friend Sir Norman Fowler can put the above thoughts across to the party at next week's conference. Possibly a fighting speech, peppered with attacks on the tightly knit group of politically motiveted men and women who are creating disunity in the party, will do the trick. References to a tougher stance on crime may help, although Mr Major is neither a hanger nor a flogger – nor, in reality, one for excessively punitive terms of imprisonment. No dramatic denouement is in sight. That is not his way. How he must envy Mr John Smith, who has enhanced his stature by a single battle with the trade union half of his Labour party. Mr Major can only look across the seas to New Zealand, and keep his fingers crossed.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Question of consistency

From Mr Bohdan Skrobach.

Sir, The west's support for Boris Yeltsin's dissolution of parliament ("West's best bet" September 29) is based on the idea that this body and the constitution were inherited from the Soviet Union.

When the disbanded parliament is replaced by a democratically elected legislative body and a new constitution adopted, Russia can assert it has domestically renounced the old Soviet system. Such a declaration implies a similar repudiation externally. Russia can no longer claim a special sphere of influence in the newly independent states of the former Soviet Union. The west should only support a consistency in Russian domestic and foreign policy.

Mr Bohdan Skrobach,
23 Rowland Street,
Toronto,
Canada M6P 1M2.

Obscure view of milk issues

From Mr Jim McMichael-Phillips.

Sir, The letter from Andrew Dare, chief executive of the Milk Marketing Board (September 29), serves only to obscure the issues set out so clearly in your leading article, "Milking the Milk Monopoly" (September 27). According to Mr Dare: "It may be that supply is limited by EC-imposed milk quotas. But far better that the limited supply is priced by the market place."

The UK is only about 85 per cent self-sufficient in raw milk, and no increase in the price paid to farmers can increase that supply. The stated ambition of Milk Marques – the organisation that will replace the MMB – is to control 80 per cent of this restricted supply and thereafter, free from the present stetutory price controls, significantly to increase the prices payable by dairies and consumers. As your leader says, such increases are monopoly rents. Any comparison with the free market in the Netherlands, which is over 200 per cent self-sufficient in raw milk, is wholly misleading.

It is perhaps the mark of a monopoly that it can write to the press criticising its customers and dismissing their concerns.

Jim McMichael-Phillips,
president,
Dairy Trade Federation,
19 Cornwall Terrace,
London NW1 4QP

From Mr Paul Williamson.

Sir, Andrew Dare recognises that milk supply in the UK is constrained by EC quotas to less than total demand but goes on to suggest that, despite this, prices should be determined by the market place.

This can only mean that UK prices will rise and users of dairy products will be encouraged to direct future investment towards countries which can guarantee reliable supplies at more competitive prices.

However efficient our dairy processors prove to be, how are they going to compete successfully with comparably efficient companies in Ireland or the Netherlands or France, where there are adequate supplies and real competition?

Paul Williamson,
president,
Biscuit, Cake, Chocolate & Confectionery Alliance,
11 Green Street,
London W1Y 3RF

Sabena adapting to deregulation

From E de Nil,

Sir, Contrary to your report, "Belgium to seek air passenger quotas" (September 27), and your leader, "Clouds in EC open skies" (September 28), Sabena is not seeking additional cash injection, nor fresh state aid.

Sabena has dramatically improved productivity in the past two years thanks to a reduction in the workforce of 25 per cent, increased efficiency and flexibility – resulting in e gain of 10 per cent in overall production – and salary reductions for staff in Belgium of up to 17 per cent. A number of other measures have also been taken, which, when fully implemented, will result in sevings of more than £100m.

Sabena was one of the few airlines in the world to make a profit in fiscal year 1992-93.

Like any other airline, Sabena is having to adapt to deregulation of the European airline industry and the price wars resulting from over capacity.

Our chairman, Mr Pierre Godfroid, has proposed to the EC's committee of "wise men" that EC funds should be made available to the whole of the European airline industry to enable it progressively to adapt capacity to demand as it did for the European steel and textile industries two years ago.

In the meantime, Sabena will continue to seek to improve its financial position by aggressive commercial policies.

E de Nil,
general manager
for UK & Ireland,
Sabena,
35 Rue Cardinal Mercier,
Brussels,
Belgium

Daily flexibility

From Mr David Pollock.

Sir, I am prompted to write by Diane Summers' article, "TV revenue shows first sign of upturn" (September 27).

It gives the impression that newspapers lack the flexibility to respond at short notice to advertisers' demands.

It is rare for would-be advertisers to be turned away, and indeed the newspapers' ability to accept copy at very short notice allows advertisers to ensure that their copy is compatible with today'a news. It may even reflect it.

This flexibility and short response time are important contributors to the unique strength of newspapers as an advertising medium.

David Pollock,
director,
NPA,
34 Southwark Bridge Road,
London SE1 9EU

Tecs not backing sub-standard training

From Mr Edward Roberts.

Sir, The picture painted by Martin Pollard ("Incompetent trainees 'being let loose in the workplace'", September 24) is wrong. The overwhelming majority of Training and Enterprise Councils only fund electrical industry training that leads to National Vocational Qualification Level 3. This is the appropriate standard for that industry and Tecs work closely with the industry to ensure it happens. Mr Pollard is wildly out of date.

Tecs are not in the business of funding sub-standard training. They exist to increase the quality of training in all sectors of business and industry so that organisations can improve their skills and competitiveness. To suggest otherwise is thoroughly misleading.

Edward Roberts,
chairman,
TEC National Council,
24-28 Bloomsbury Way,
London WC1A 2PX

Opportunity to redesign Design Council must not be wasted

From Mr Jeremy Rewse-Davies.

Sir, The decision to restructure the Design Council is broadly right ("Design Council break-up decided by government", September 24). The Chartered Society of Designers particularly welcomes the appointment as the council's new chairman of John Sorrell, a designer and businessman with an impressive record of promoting design.

This society, representing UK design professionals, has repeatedly called both for the council's role to be redefined and for a new programme to convince industrialists of the value of investing in design.

Designers will welcome the government's apparent commitment to what Christopher Lorenz ("The Design Council on a crash diet", September 24) describes as a "high-powered research, evangelism and lobbying body". But certain questions still have to be answered if the newly reorganised Design Council is to achieve its core objectives.

The introduction of design advice into a total of 200 Business Links will require substantial investment. The new plans proposed by trade and industry minister, Tim Sainsbury, with their clear potential to help a greater number of businesses to integrate design into the mainstream of their activity, may require an increase in government funding.

Mr Lorenz is right to highlight concerns over the transfer of essential services from the existing council to new homes. Funding is a part of the solution to this, but so is an ongoing process of close consultation. A close two-way relationship between the design profesaion and agencies, including Business Links, will be essential.

In particular, the work presently undertaken by the Design Council in the field of education must not suffer during the transition. Similarly the new structure must ensure a continuity of the much valued regional expertise built by the council.

Until the designers this country trains are employed to design our exports, rather than the goods we import from abroad, British competitiveness will continue to suffer. The restructuring of the Design Council is an opportunity that must not be wasted.

Jeremy Rewse-Davies,
president,
Chartered Society of Designers,
29 Bedford Square,
London WC1B 3EG

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The verdict on Goode

IT IS NO fault of Professor Roy Goode and his pension law review committee that their report comes 20 years too late. But the extent of the delay, and the needless misery inflicted on pensioners by the Maxwell affair and other scandals, does mean that any failure to implement the specific recommendations to deal with abuse rapidly would be inexcusable. The document is far from radical; yet there is a suitably hard edge to some of its regulatory proposals. Nobody will be wholly satisfied with this weighty blueprint for a new legislative framework. But the complexity of the subject and the conflicting interests at stake together imply that some disappointment is probably inescapable.

The first test of the report is whether it offers adequate protection for present and future pensioners against crooks like Robert Maxwell. No system of protection can ever be foolproof, but the basic building blocks are here, including fitness tests for trustees, minimum solvency requirements, a compensation scheme, whistleblowing powers for trustees and professional advisers, and a new regulator with substantial powers of investigation and enforcement.

Building blocks, however, is the appropriate description, for the solvency rules, though accompanied by a tight timetable, are pitched at a very modest level in relation to current practice in most funds. As for compensation, it may be realistic to exclude losses arising from mismanagement, as opposed to fraud, theft and misappropriation. But the problem with many recent scandals has been the difficulty of proving fraud or mounting legal action to obtain redress for possible breaches of trust. Much will hinge on intelligent parliamentary draughtsmanship.

The more difficult test relates to concern about a perceived lack of balance in pension schemes between the differing and sometimes conflicting interests of employers, employees, pensioners and so-called early leavers. On the issue of ownership and control Professor Goode predictably gives the whip hand in final salary schemes to the employers; and it is not clear that his recommendations for minority employee representation on trustee boards are proof against the whistleblowing employee representativa being intimidated or sacked. What is clear is that the committee is prepared to pay only lip service to the interests of pensioner trustees and no service at all to early leaver trustees. Yet it is these two groups that have tended to lose out in contentious cases over the use of pension fund surpluses; and the report's excuses for leaving them in the cold are flabby.

Perhaps the greatest source of discontent on the part of pension scheme members has been to do with the loss of pension rights through inflation, a worry that has been exacerbatad whera employers have clawed back surpluses from the pension fund without making good much of the erosion, in real terms, of the rights of the various categories of member. While seeking to tighten the rules on clawbacks, the committee is not prepared to insist that past inflationary losses should be substantially mitigated before the company can take surplusas into profit; and its members were unable to agree on indexation of pensions in payment.

The final test of the report will lie in whether the ensuing legislation constitutes a deterrent to the maintenance of final salary pension schemes. There are a number of sound housekeeping measures which may be administratively burdensome, but in the central areas of compensation and minimum solvency requirements Goode has erred on the side of the employer. In the longer run any decision to abandon traditional occupational pension provision will be dictated by larger factors, such as the government's assault on the funds' tax privileges. The government must not allow its ideological distaste for a paternalistic form of pension provision to stand in the way of protection for 11m present and future pensioners.

The voting fields

WITH PEACEKEEPING operations in Somalia and the former Yugoslavia dogged by political controversy or worse, Cambodia represents a welcome success story for the United Nations. In a country devastated by years of civil war and by the depredations of the Khmer Rouge, it organised free and fair elections which have led to the establishment of a new constitution and democratic government. The $2bn operation – now winding down – has achieved more than the UN dared hope when the Paris peace accord was signed two years ago.

Cambodia's peace remains fragile. Norodom Sihanouk has become king and must resist the temptation to interfere in government. His son, Ranariddh, has entered what could be an awkward coalition with Hun Sen, premier in the former Vietnamese-installed government. However, the real losers in the electoral process hava been the Khmer Rouge, whose tactics in seeking to sabotage the elections have backfired with defections of guerrillas disillusioned and tired of war. The weakening of the Khmer Rouge, if it continnes, justifies the UN's determination to hold elections.

It is up to Cambodians to make their new political system work. But the international community must still provide assistance. Aid to finance the building of physical infrastructure is essential. Help is also needed to create the elements of a new society: a financial system, a judiciary, education. Aid commitments total around $1bn but so far little money has reached Cambodia. Efforts to restore the country to the international financial community by clearing its arrears to the International Monetary Fund are a vital way to start the flow of funds. It would be a tragedy if the extraordinary, and costly, efforts of UN personnel in Cambodia were wasted through failure by the international community to follow the task through to the end.

Mr Tietmeyer

TODAY, MR Hans Tietmeyer replaces Mr Helmut Schlesinger at the head of the Bundesbank. It would be wrong to expect this to make much difference. Personalities may change, but the institution will not. Even if Mr Tietmeyer wanted to soften its disinflationary line, he would not be allowed to by other members of his council. Like any great institution, the Bundesbank, is far more than any individual.

Mr Schlesinger has important achievements to his credit. He took over from Mr Karl Otto Pöhl, after the latter's bruising fight with the German chancellor, Mr Helmut Kohl, over the terms of German monetary unification. With German fiscal policy falling into disarray and inflation rising to unacceptable levels, Mr Schlesinger's Bundesbank was determined to restore monetary stability. It is on its way to doing so, even though the consequences of its determination have inclnded deep German and European recessions, disruption of the exchange rate mechanism and, in all probability, postponement of economic and monetary union to the next millennium.

Abroad, these policies have been controversial. But the Bundesbank has not acted whimsically. It has been doing precisely what an influential part of the German people continues to want it to do. By preserving the value of the D-Mark and keeping long-term rates of interest low, the Bundesbank is viewed as the chief institutional guarantor of stability in a country still beset by the demons of past catastrophes.

This will not change. Mr Tietmeyer argued for a quarter point cut in the discount rate last July, immediately before the crisis that broke the ERM. Yet this was a grace note, rather than a different tune, and might well have made no difference to the outcome. Mr Tietmeyer knows that the Bundesbank's power rests on its reputation. He too will fight whatever might compromise it, be the threat from Bonn, Paris, Brussels or anywhere else.

The aims of the Bundesbank may not change, but its policies will. Interest rates will fall, for example, as inflation comes under control. The D-Mark is also likely to weaken, which should prova helpful to its partners. But the institution's role will remain for some years to come. Given the determination of the Germans to ensure that any replacement will be at least as good, it is possible thet there will never be one.

The Bundesbank is not above criticism. Its monetary policy has probably been too tight this year. Its emphasis on monetary targets may prove a mistake. Its council discussions are too secretive and should be revealed to the public, as are those of the Federal Reserve's open market committee. Yet whatever its mistakes and failings, the Bundesbank remains a powerful force for good as Germany's and Europe's chief bulwark against the inflationary propensities of politicians. May it remain so.

Nikki Tait examines the potential for television retailing as interest quickens among media and store groups

Bringing home the shopping

The woman on the television screen poses beside a vacuum cleaner. She tilts it this way and that, demonstrates its internal workings, and then whirls the machine in action. "It's light, it's adorable," she exclaims.

Alongside her is the cleaner's price, $109.95, and a freephone number to ring for orders. A clock counts down the remaining display time in one corner. Then the vacuum cleaner and the woman vanish, and are replaced by a middle-aged man, who talks enthusiastically about a sterling silver ring.

Welcome to TV shopping, US-style. The items appear on a programme transmitted by QVC Network, one of the two leading televised shopping retailers. About three-quarters, or 45m, of the nation's homes with cable TV have access to QVC; programming could in 75 per cent of them. QVC runs 24 hours a day. Local cable operators receive monthly cash payments from QVC equal to 5 per cent of the net sales generated from their respective areas.

From today, British viewers will also have a chance to shop non-stop, when QVC becomes available on cable and satellite television as part of a package of 14 paid-for channels offered by BSkyB.

Television home shopping, after failing to produce exciting growth in the 1980s, is suddenly attracting media and retailing groups. Investor interest in the sector quickened last January when Mr Barry Diller, a Hollywood executive who helped Rupert Murdoch turn Fox into America's fourth national television network – became chairman and chief executive of QVC, which this month launched a hostile $9.5bn takeover bid for entertainment group Paramount Communications.

Mr Diller quickly persuaded several prestigious names, such as the retailer Saks Fifth Avenue, to offer merchandise via QVC. Now, QVC wants to take over its main rival, Home Shopping Network, which is beset by management troubles, but HSN says talks are on the back burner until the battle for Paramount is decided.

But QVC is by no means the only dynamic player in the market. Time Warner, the largest US entertainment group, and Spiegel, a leading specialty fashion retailer and catalogue company, have joined forces to create two cable television channels in the fast-growing field. And this summer, R H Macy, the well-known but bankrupt department store group, announced plans to sell its wares on Cablevision, the fifth-largest cable TV operator in the US, by autumn 1994.

Another enthusiast is Seattle-based Nordstrom. In late spring, the upmarket fashion retailer announced plans to start a catalogue operation, with a view to using this as a springboard into "interactive" TV shopping by the end of 1994, where fast-evolving digital technology would allow viewers to call up information on products, and place orders via their TV sets.

Yet, in spite of this swirl of activity, US retailers are divided over homa shopping's potential. The believers note that the industry has made sizabla strides in a relatively short time. Ten years ago, neither QVC nor HSN existed, yet their combined sales last year topped the $2bn mark. QVC's sales in the first six months of 1993 rose 18 per cent, to $535.7m; net profits of $34.9m compared with $19.9m for the corresponding period of 1992.

QVC ships merchandise to customers from distribution centres at West Chester and Lancaster, Pennsylvania, and Suffolk, Virginia. Delivery is usually made by UPS or, for lightweight packages, by the US postal service. Products with a purchase price of more than $200 go Federal Express.

Critics argue that home shopping must be seen in perspective. In aggregate, Americans spent about one and a half trillion dollars last year on consumer products, not counting car sales. The vast bulk of this expenditure went through conventional shopping channels.

They point out that, after a century of development, the mail order catalogue sector – the other principal "non-store" shopping alternative – notches up only $70bn in annual sales.

Experience provides a second reason for wariness. In the 1980s, several big US retailers toyed with the home shopping concept, but concluded that significant commitment would be premature.

J C Penney, the department store group, for example, tested an "interactive" home shopping service in 1987 among consumers in a Chicago suburb. After investing $100m in the venture, Penney abandoned it three years later, claiming thet the technology to support the idea was not sufficiently developed. Another tilt at home shopping about a year afterwards was abandoned. "We were not pleased with the sales generated," Penney explains.

Minneapolis-based Dayton Hudson, another big department store operator, also had an early brush with TV shopping that led nowhere. Like Penney, Dayton has not abandoned the concept, and is more enthusiastic than its Texan counterpart. But it is testing the market carefully before making large-scale financial commitments.

At present, Dayton's plans centre on "infomercials" – advertisements with an editorial spin. Dayton tried to sell bedding material in this way recently, and describes the project as "a qualified success". But the retailer is careful to stress that it "is still learning whether this is a format we want to pursue".

Not surprisingly, QVC is more positive. "We're very optimistic – there's a huge segment of the population which has never even tried home shopping," says the Pennsylvania-based company, although it declines to make detailed forecasts of participating audiences.

Before they can broaden their appeal, however, TV shopping companies – as QVC acknowledges – may need to change consumers' perception thet shopping via television is a slightly unsavoury occupation, indulged in by bored housewives and insomniacs. The "typical" home shopper at the moment is drawn from the lower-income categories, although a survey by Deloitte & Touche and Impact Resources, market researchers, suggested that this image had been exaggerated.

The survey, which covered 6,000 regular TV shoppers, discovered that almost half were between 25 and 44; 43 per cent were married; more than a third had graduated from high school; 52 per cent were women. The average household income was just less than $35,000, compared with an average income of $38,000 for all US households – lower, but not significantly so.

Even if the involvement of high-quality names, such as the designer Diane von Furstenberg, and Saks, helps home shopping to upgrade its reputation, a significant challenge lies in the area of presentation. The reasons are simple: in a store, shoppers see and feel items, and decide within seconds whether to take a closer look or pass on. With TV shopping, more verbal detail has to be provided, along with a long-distance demonstration of how appliances work, how clothes "wear" and so on.

"Customers need tons of explanation – you can't cut the information," says QVC. On average, its programmes devote about five minutes to each item. From the viewer's perspective, such thoroughness might become wearing.

QVC tackles this problem by grouping products together. For example, the first six hours one recent Sunday morning were devoted to 60-minute segments on jewellery, fun and leisure, "super-bargains", cooking equipment, more jewellery, and housewares.

Nevertheless, the type of goods sold through TV in significant volumes remains limited. Jewellery accounted for about 43 per cent of QVC's sales last year, clothing and accessories, 17 per cent. At HSN, jewellery sales made up 49 per cent of total turnover in the 1991-92 financial year.

For dedicated consumers, home shopping is a boon. One Manhattan-based shopper says convenience is the biggest draw. QVC offers a 30-day, money-back guarantea, and pays the shipping costs.

That, she argues, beats trudging around a high-street store or mall, and making a second trip if the goods are unsatisfactory. Moreover, pricing is often competitive, and some of the items are either exclusive to the TV shopping channel or not readily available elsewhere. "I wouldn't use it all the time," she says, "but it's definitely a part of my life."

Additional reporting by Rivka Nachoma in New York

Unpresidential prose

David Marsh on Germany's livelier tone of political debate

What is wrong with the following statements, made recently by Mr Steffen Heitmann, the minister in the east German state of Saxony proposed by Chancellor Helmut Kohl to become Germany's next president?

"Maastricht has been imposed from above... Europe cannot be forced on people... the Holocaust does not mean that Germany should have a special role until the end of time... when there are only a few homes available, you can say quite soberly that other people can move in to them, rather than asylum-seekers."

The answer is: not much. However, amid a political struggle in Germany about who should succeed President Richard von Weizsäcker next summer, Mr Heitmann's utterances have caused a stir.

Left-leaning magazines such as *Der Spiegel* or *Stern* claim they place him on the far right of the political spectrum, while a conservative Kohl-supporting newspaper such as the *Frankfurter Allgemeine Zeitung* asks what all the fuss is about.

The controversy is important for what it tells us about political discourse in Germany, and about the changes there. Whether or not the less-than-awe-inspiring figure of Mr Heitmann actually wins the presidential race is secondary.

Germany is a co .try where politicians cloud statements with high-sounding phrases designed to obscure and even mislead. We may now have to become used to more direct language.

In view of the economic and political problems of reunification, Germany has becoma a less well-balanced, less stable country than the old Federal Republic.

By commenting on the country's preoccupations with less than the sanctimonious decorum expected from a contestant for highest office, Mr Heitmann has injected a note of realism into public debate.

All this is not to suggest that Mr Heitmann would be an ideal president. He has been chosen by Mr Kohl on the somewbat spurious grounds that he embodies the rough-hewn views of many east Germans.

Since tha junior party in the coalition, the Free Democrats, has voiced misgivings about Mr Heitmann, his chances of taking over the presidency are not assured.

Mr Heitmann admits that, under the former Communist regime, he was "no bero". One point about him, though, is incontestable. His views on the three subjects outlined above – Europe, Germany's history and asylum-seekers – are neither startling nor original.

EC governments accept that Maastricht did not sufficiently take into account sensitivities of Community electorates. The desire to make Maastricht "closer to the people" accounts for the EC's new emphasis on subsidiarity.

No foreign government wants Germany to forget the Nazi past. But most of Germany's partners would like it to throw off some historically-imposed shackles. Nato backs Mr Kohl's efforts to relax the 1949 constitution to allow *Bundeswehr* (army) troops to take part in peace-keeping abroad.

On asylum-seekers, Mr Heitmann could have been more tactful in view of recent attacks on foreigners in Germany. But no-one can ignore that high immigration has increased pressure on German housing and social security. Both Mr Kohl's Christian Democrats and the opposition Social Democrats jointly decided during the summer to tone down Germany's previously generous asylum law.

A German president, a figure without real power, is supposed to provide a form of moral or ethical leadership. But he also has to ensure his views are not too far removed from public opinion. During the past decade, Mr von Weizsäcker achieved this balancing act with aplomb and authority. His best-regarded speech, in 1985, on the 40th anniversary of the end of the second world war, was a masterpiece; its message calling on Germans to come to terms with their history was popular and thought-provoking.

In two years, when the 50th anniversary of Germany's capitulation is commemorated, a different speech will be required. The new German head of state will have to talk about Hitler and the Holocaust. But he (or, possibly, she) will also have to explain how Germany can achieve its priorities: to resurrect east Germany without bankrupting west Germany; to forge a new sense of nationhood and at the same tima integrate its 6m foreigners; to rebuild the nation without disrupting the course of European unity.

All this requires hard choices. In the past, often befogged by the soft opacity of German political parlance. By reminding onlookers that united Germany has a new set of priorities, Mr Heitmann deserves a modest medal, struck in east German bronze: not for nobility or vision, but for plain speaking.

Action Press

Heitmann: plain speaking politician

OBSERVER

Fed rumour mill fed

■ The decision by the US central bank on when to begin tightening monetary policy will probably have a greater impact on the progress of the domestic economy than any single pronouncement from the White House.

So it will be with some care that President Clinton goes about the search for a replacement for Federal Reserve governor Wayne Angell, whose term expires at the end of January.

His departure opens up the way for the first Democratic nominee since the Carter years and the administration will be after a heavyweight economist capable of challenging articulate Republican appointees such as David Mullins and Lawrence Lindsey, not to mention chairman Alan Greenspan.

One possibility is Alan Blinder, the Princeton economist currently serving as Laura Tyson's deputy at the Council of Economic Advisers. Ben Friedman, a Harvard professor and critic of Fed policies in the 1980s, is another academic reputedly in the running.

But with white males filling the 12 regional presidencies and six of the seven governorships, the Fed is under fire from Congress for failing to promote women and minorities, so it is perhaps time for the president to exercise greater imagination.

Alicia Munnell, assistant secretary for economic policy at the Treasury, is thought to be keen on the job, even if it carries less executive responsibility. A former research director of the Boston Fed, she knows the system well.

Or Clinton could try Alice Rivlin, who is understood to be less than happy as Leon Panetta's deputy at the Office of Management and Budget. Rivlin's speciality is fiscal policy, but it is not hard to imagine her laying down the law on interest rates.

Coals to Newcastle

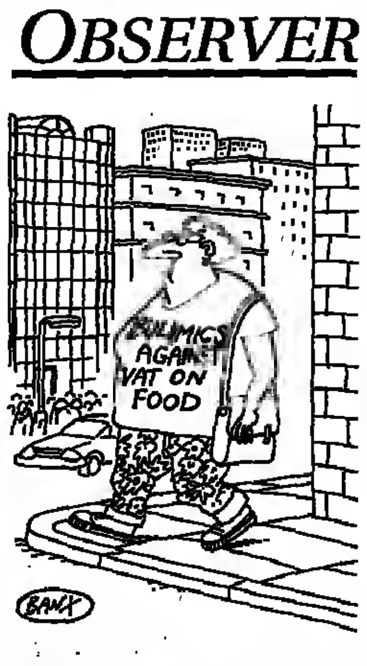
■ Bill Carr looks every inch the US businessman: tall, silver-haired, grey-suited – until he opens his mouth. The Geordie accent is unmistakeable.

His appearance yesterday as president of Jim Walter Resources, the Alabama company which is teaming up with the Union of Democratic Mineworkers to bid for British Coal, cast him as the stalwart US partner in the bidding consortium. But Carr was born in County Durham in north-east England in 1930. He started his working life as a pit hand at the age of 14, and stayed with British Coal until 1975, by which time he had risen to mine general manager.

That year he crossed the Atlantic to become senior mining engineer for Paul Wair Company, a consulting firm in Chicago. One of its clients was Jim Walter Resources; a year later he had joined the payroll. He became president and chief operating officer of the company in 1991.

"I have a soft spot for British Coal," be confessed yesterday. "But also s hard head. I think the signs are there that we can do something with this kettle of fish."

Bill Carr now lives in Birmingham, Alabama, but he can still do a fine rendition of "The Blaydon Races" if required.



Virtual reality

■ It's refreshing to hear Treasury ministers poking fun at their own department, especially in the pre-Budget period when they have traditionally been bound by an official edict to keep silent.

Thus Stephen Dorrell, Treasury financial secretary, took full advantage this week of the change in rules which has eliminated "purdah" ahead of the November 30 Budget.

Dorrell, who joined the Treasury only 17 months ago after two years at the department of health with responsibilities including mental health, told a London conference that he had been deemed well-suited to take the job on the grounds that the Treasury contained the world's largest collection of clever people doing stupid things.

Shrink rapt

■ Now we know; resisting Boris Yeltsin is sheer madness. So says a group of Russian psychiatrists, specialists at the Psychiatric Research Institute under the leadership of Viktor Khanykov.

The shrinks publish their diagnosis of Yeltsin's parliamentary opponents on the front page of one of Moscow's best-selling dailies, Komsomolskaya Pravda. They say that each of the leaders of the besieged Russian parliament provides "a clear illustration of psychopathic behaviour, with the predominance of hysterical and paranoid tendencies".

"Long before the 'Yeltsin putsch'", they charge, the opposition was out to stir up an atmosphere of suspicion, alarm and panic in the Supreme Soviet and throughout the land.

The doctors go on to prescribe a course of therapy – "even though it is unlikely they will voluntarily submit themselves to treatment".

With people in such a state, both force and negotiation are utterly useless, they say. Instead, the authorities must "sympathise with them" and gradually influence them by using calm persuasion and psychotherapy.

The psychiatrists exhort that the new election laws have written into them the requirement that candidates take a psychological test and submit to a psychological examination – since "for our country, sensible authorities are of the utmost importance".

Know thyself

■ An eagle-eyed company secretary has stumbled on one reason for the alarming weight gain in the Stock Exchange Yellow book. The new set of rules governing listings tips the scales at 2.075kg, over twice the weight of its predecessor. Chapter 16, which details directors' obligations, sets out, a trifle superfluously, how "A company is not required to notify to the Company Announcements Office information which, notwithstanding compliance by it with this paragraph, it does not have."

FINANCIAL TIMES
Friday October 1 1993

Sweeping reform of UK pension industry proposed

By Norma Cohen, Investments Correspondent

SWEEPING REFORMS of the way UK occupational pension schemes are governed have been recommended by the government's Pensions Law Review Committee, appointed in the aftermath of the Maxwell pensions scandal.

In a 1,000-page document, which was given a broad welcome from employers and pensions group, the committee recommends a law spelling out for the first time how schemes should operate. It also urges the creation of an industry regulator, minimum solvency requirements and representation for scheme members on boards of trustees.

But it stops far short of curbing employers' use of contributions "holidays" or requiring them to help pensions keep pace with inflation, and would allow them to wind up schemes that become too expensive in the future.

Mr Peter Lilley, social security secretary, said the government would consider the recommendations, but it would be "inconceivable" for legislation to be introduced before the 1994-95 parliamentary session. "The government is keen to encourage greater private pension provision and to maintain the positive contribution which company pension schemes have made," he said. "We will wish to take whatever steps are necessary to re-establish confidence."

In welcoming the report, the Confederation of British Industry, the UK's largest employers' body, said it struck "the right balance between improving the position of scheme members and the security of benefits on one hand and the interests of employers – who underwrite most of the obligations – on the other."

Mr Ron Amy, chairman of the National Association of Pension Funds, the industry trade body, said there was nothing in the report likely to prompt employers to abandon final salary pension schemes – which promise pensioners a proportion of their final salary upon retirement – in favour of money purchase schemes. These simply promise that a sum of money will be invested annually on an employee's behalf. "I don't think this will accelerate the move to defined contribution schemes. That is already happening on its own for employers for whom it is appropriate."

Employers' groups had warned the committee, that proposals would cause final salary schemes to be abandoned. Such schemes are seen as the most secure form of retirement provision.

However, the actuarial profession has sounded alarm over the report's recommendation that a fund's assets should always equal the cost of meeting all existing pension promises if it were wound up immediately.

That could prompt schemes to switch their assets out of equities – in which they are largely invested – and into lower yielding UK government gilts.

Explaining the report's objectives, Prof Roy Goode, chairman of the committee, said: "Our concern is to provide a system which is fair and secure and practical and not too difficult to administer." He said some issues had proved particularly difficult to resolve. Among these was a suggestion that employees who left schemes prior to retirement – the vast majority of members – be entitled to better protection against inflation. The committee was also particularly divided over a suggestion that an industry compensation scheme cover not just instances of fraud, theft and misappropriation, but poor investment performance or maladministration. Both, in the end, were rejected.

■ Editorial comment Page 19

Russian regions issue challenge to Yeltsin

By Leyla Boulton in Moscow

RUSSIA'S regions yesterday issued a powerful challenge to President Boris Yeltsin as the head of the Russian Orthodox Church attempted to broker a peaceful end to the siege of the Russian parliament building.

Representatives from 62 of Russia's 88 regions demanded an end to the siege, and a reversal of his decree dissolving parliament, threatening "all necessary measures of economic and political pressure to restore full-blooded constitutional legality" if their demands were not met by midnight last night.

Deputy prime minister Sergei Shakhrai, who attended the meeting, wrote it off as unrepresentative and therefore illegitimate. But the government is sufficiently concerned about what is happening outside Moscow for three of its senior members to be setting off to the far east, Siberia, and southern Russia.

Potentially more significant than the unrealistic midnight deadline was the regional officials' announcement that they planned to form a Federation Council which would supplant a similar body foreseen by Mr Yeltsin as the unelected upper chamber of a new parliament.

They reserved for it alone the right to endorse changes to the Soviet-era constitution to organise a new bicameral assembly, and to convene and monitor simultaneous elections of both president and parliament. Formally, they said it would be up to the parliament to agree to its own dissolution and set a date for elections.

Holed up inside the White House in Moscow, Mr Ruslan Khasbulatov, the parliament's speaker, said "everything would now be decided by the regions". It emerged yesterday that vice-president Alexander Rutskoi had contacted Aleksy II, the Russian patriarch, and the regional leaders seeking their mediation.

Mr Yeltsin yesterday repeated that he would not repeal his decree but did meet the patriarch. A close aide, Mr Gennady Burbulis, said all means had to be found to secure a dignified exit from the White House for Mr Khasbulatov and Mr Rutskoi.

The latter, still calling himself Russia's acting president, yesterday offered to stockpile weapons kept in the White House, if Mr Yeltsin lifted the ring of armoured personnel carriers, razor wire, police and Interior Ministry troops around the White House.

In an attempt to keep up popular support despite unpopular economic measures such as freed bread prices, Mr Yeltsin increased social security payments 81 per cent yesterday. Continuing to woo the deputies, he issued instructions guaranteeing each a job in his administration.

Du Pont cuts 1,160 jobs as global nylon analysis begins

By Daniel Green in London

DU PONT, the world's biggest nylon supplier, took the restructuring of Europe's chemicals industry another step forward yesterday by announcing 1,160 job cuts in nylon production in the UK and Germany.

Further losses could follow early next year when Du Pont completes an analysis of its world nylon activities.

Mr Alan Titus, managing director of Du Pont Nylon Europe, blamed overcapacity in world markets, duplication of production with US and German plants, and a drift from nylon to other synthetic fibres for clothing and carpet textiles. These had depressed prices and profit margins.

The cuts are at plant bought in July from Imperial Chemical Industries in a £210m ($323.40m) deal. They follow 1,600 job losses two weeks ago in Du Pont's north American nylon production sites. At the time, Du Pont's US management warned there would be job cuts in Europe.

In July, Snia Fibre of Italy and Rhône-Poulenc of France announced plans to merge their textile nylon businesses. Western Europe capacity is more than 350,000 tonnes a year, but demand is only 240,000 tonnes, according to the Committee of Rayon and Synthetic Filament.

The bulk of Du Pont's new round of cuts falls at UK sites. They include the closure of a nylon textile filament plant at Pontypool, South Wales, with the loss of 400 jobs. Other job cuts are at the company's technical centre and in the production of carpet fibres.

A further 220 jobs will be shed at Oestringen, south of Frankfurt, Germany. These are limited to "infrastructure staff" in areas such as maintenance and management. German production was more profitable and had more modern equipment than UK sites producing similar materials, Mr Titus said.

Du Pont said it would seek voluntary redundancies and redeployment but "involuntary separations will probably be required at some sites". Mr Titus warned of possible further job cuts. "This first phase is doing things that appear obvious to us," he said. "It does not represent a position of sustained financial health".

Last week, Du Pont's global nylon business began "a fundamental analysis of our entire operations to develop further plans to get us back on the path to sustained profitability".

Du Pont's nylon sales worldwide are $4.6bn with 21,000 employees. In Europe, revenues are about $1bn with a staff of 7,500.

Gonzalez fights to keep plant open

Continued from Page 1

Mr Piëch and Mr Klaus Volkert, the leading spokesman for the German workforce on the group supervisory board, will explain Seat's structural and financial problems, VW said.

Mr Diaz Alvarez's "mutually agreed" resignation was announced one day after a VW group board meeting rejected as insufficient his rationalisation proposals, which included a 22 per cent cut in Seat's 23,000 workforce.

The public rejection of Mr Diaz Alvarez's scheme, an unusual move, was widely considered in Spain and Germany to have humiliated him and left him with no alternative but to quit. Although analysts had expected his departure, he is highly-regarded in Spain as a captain of industry.

VW's demands for radical, rapid action followed the recent disclosure that Seat was heading for an "unexpected" DM1.25bn loss this year. Volkswagen undertook to inject DM1.6bn but has refused further assistance.

THE LEX COLUMN

Goode intentions

Of all the Goode committee's weighty proposals, the minimum solvency standard for pension funds could be the most momentous. As in banking or insurance, a solvency requirement was always a prerequisite for a worthwhile system of prudential regulation. The question is whether its introduction will make the pension industry as risk averse as banks became when capital adequacy ratios were imposed. Since UK funds control £400bn in assets, even a subtle shift in investment will have far-reaching implications for financial markets.

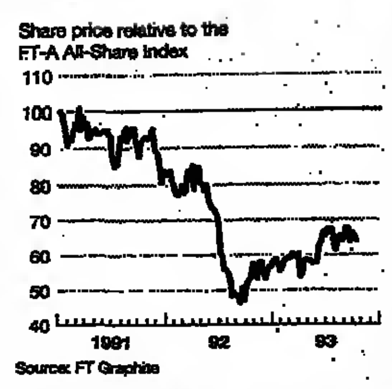
The solvency standard proposed yesterday does not look excessively harsh. But pension fund solvency is a slippery concept which turns on actuarial assumptions on investment return and mortality rates. The committee is right to recommend that actuaries should be appointed by trustees rather than companies. That should help prevent them inclining towards generous valuations to please their paymasters. But Goode has stopped short of prescribing standard assumptions which actuaries should use; this hot potato is instead passed back to the profession.

How they respond will determine whether pension funds feel obliged to shift assets out of equities and into gilts. The assumptions would not have to be particularly tough to leave many pension funds in danger of falling close to the new solvency limit if equities suffer a bad spell. Heavier investment in gilts would surely result. Prudential regulation carries risks of its own in terms of lower investment returns, and ultimately poorer pensions.

FT-SE Index: 3037.5 (+7.4)

Forte

Share price relative to the FT-A All-Share Index



Source: FT Graphite

evaporate if the paper dividends buy Redland enough time to enable rebounding UK earnings to resolve its tax dilemma. So far, the news from the home front is encouraging if not conclusive. Volumes and prices are firming but remain well below historic peaks. Redland will have to drive its earnings forward fast to justify its calculated gamble.

The worry would be if German demand deteriorated too sharply before UK earnings did their trick. The German housing market has remained astonishingly resilient thanks to the flood of immigrants in the west and the leaking roofs in the east. But the probable expiry of housing tax subsidies at the end of 1994 may well damp demand. Redland will be praying that the UK upturn will be speedy enough for it to squeak through.

Redland

For a company which has been straining to sustain a hefty dividend to add to its long-term burden by issuing two scrip dividends may seem rather like trying to extinguish a fire by dousing it with petrol. Although Redland will save £36m of ACT and preserve cash in the short term, it will now have to service 7½ per cent more shares over the longer run. This will prove costly given their yield of 5¼ per cent. It is not even as if the market has much of an appetite for Redland shares. Following a rights issue and the Steetley acquisition in 1991, Redland has issued paper in profusion. The 5 per cent fall in interim earnings despite a 22 per cent rise in pre-tax profits illustrates the dilutive effects.

Nevertheless, such concerns will

Forte

Forte's strategy is clear from the way it presented yesterday's interim results. Recovery is slow to come through, but, thanks partly to two enhanced scrip dividends in a row, cash flow is strong enough to service its £1.3bn debt. There is no need for a rights issue, or for hasty sales of assets at knock-down prices. That is a legitimate approach, but yesterday's 4 per cent fall showed the market was expecting better. After all, the near doubling of the shares over the past year was predicated on the benefits of operational gearing in its hotels showing through more strongly by now.

There is still a chance of this happening in the second half, but it will depend on the company's ability to push up room rates as well as occupancy. Equally important it must keep down costs, which are showing more underlying resilience than might be expected at this stage in the cycle. The more reasonable bet is that considerable patience will be required before Forte fulfils its promise.

Though the company can manage on relatively modest capital expenditure, gearing thus limits its ability to exploit growth opportunities – like the expansion of its Travelodge chain in the UK. Arguably Forte's freedom of manoeuvre would be enhanced by the rights issue that seemed likely after the dividend was cut six months ago. But Forte regards equity as too expensive at present yields. Besides, a rights issue would be difficult to sell when even its reduced dividend may now be barely covered in the current year.

UK retailing

Sears' observation that its margins will start to come under pressure from the delayed effects of sterling's devaluation raises the issue of how much inflationary pressure is still in the pipeline. Price rises yet to come as a result of sterling's exit from the ERM may not be enough to shift the overall level of inflation much, but it may have an impact on retailers like Sears which operate longer-term forward foreign exchange cover for imported products.

Other buyers of imported finished goods may well be in a similar position, since the lead times in such businesses are long. Clothing and footwear retailers which source overseas may thus come under pressure to raise prices this autumn. In contrast, buyers of raw materials like yarn, which have shorter cycles, will already have seen some of the pressure.

Several factors will, however, mitigate any inflationary impact. Devaluation in countries like Spain and Italy, and weak economies worldwide, have made it difficult for hard-currency manufacturers to increase prices. With the yen very strong, this effect has hit Japanese companies particularly hard. Since consumers are reluctant to spend, retailers have had to absorb some of the costs in margins. In areas such as textiles and cars, where quotas apply, margins will have been built up in good times, and can be run down without excessive pain now. Still, as soon as world markets show any degree of strength, the pressure to raise prices and rebuild margins will return.

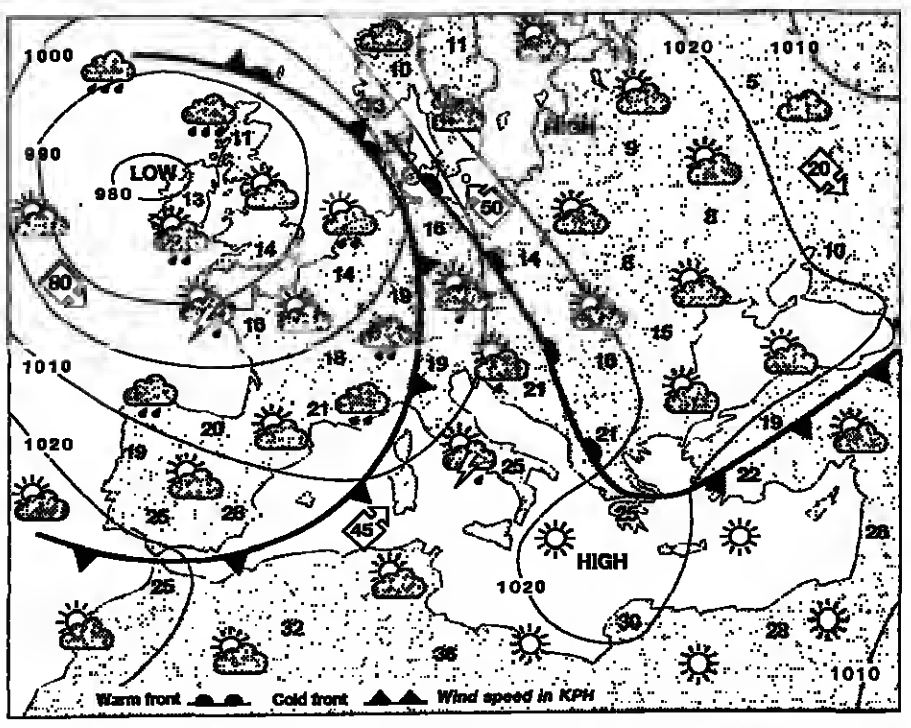
FT WORLD WEATHER

Europe today

Active low pressure over the southern UK will bring cool and windy conditions to most of western Europe. Most regions will have thunder showers or rain. Southern Spain and Portugal will become drier with sunny periods and afternoon temperatures of about 25C. Thunder showers and outbreaks of heavy rain will occur over Italy and the southern Alps. The Balkans and south-eastern Europe will have sunny periods and cool conditions with temperatures in northern areas staying near 15C. A strong area of high pressure over western Russia will keep most of the CIS and Scandinavia dry. Cloud will be interspersed with sunny spells. Afternoon temperatures will range from 5C-12C.

Five-day forecast

Low pressure over western Europe will slowly move east. As a result, unsettled conditions will cover most areas. Frequent showers will occur, especially over Italy and the southern Alps where a lot of rain is possible. Pressure will remain high over Russia, but frontal systems will produce rain in Scandinavia. Southern Spain and Portugal will be mostly sunny with afternoon temperatures around 25C.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	38
Accra	cloudy	28
Algiers	fair	27
Amsterdam	shower	14
Athens	fair	23
B. Aires	cloudy	18
B.ham	rain	12
Bangkok	cloudy	33
Barcelona	fair	24
Beijing	fair	23
Belfast	shower	12
Belgrade	fair	21
Berlin	fair	15
Bermuda	fair	31
Bogota	fair	16
Bombay	fair	30
Brussels	shower	14
Budapest	fair	15
C.hagen	fair	15
Cairo	sun	32
Cape Town	sun	22
Caracas	fair	29
Cardiff	cloudy	12
Chicago	shower	22
Cologne	cloudy	18
D' Salaam	fair	27
Dakar	fair	31
Dallas	fair	30
Delhi	sun	34
Dubai	fair	39
Dublin	shower	12
Dubrovnik	fair	21
Edinburgh	rain	12
Faro	fair	23
Frankfurt	fair	20
Geneva	cloudy	16
Gibraltar	fair	25
Glasgow	cloudy	13
Hamburg	rain	18
Helsinki	sun	9
Hong Kong	fair	26
Honolulu	fair	31
Istanbul	fair	15
Jersey	shower	12
Karachi	fair	33
Kuwait	sun	42
L. Angeles	fair	24
Las Palmas	fair	24
Lima	fair	20
Lisbon	shower	21
London	shower	14
Lux.bourg	cloudy	13
Lyon	rain	16
Madeira	fair	25
Madrid	fair	21
Majorca	fair	25
Malta	fair	27
Manchester	rain	14
Manila	rain	31
Melbourne	shower	16
Mexico City	fair	21
Miami	sun	30
Milan	shower	16
Montreal	fair	14
Moscow	cloudy	5
Munich	fair	20
Nairobi	fair	28
Naples	thund	24
Nassau	fair	32
New York	fair	20
Nice	thund	20
Nicosia	sun	29
Oslo	fair	10
Paris	shower	16
Perth	shower	15
Prague	fair	18
Rangoon	cloudy	33
Reykjavik	shower	11
Rio	cloudy	25
Riyadh	sun	39
Rome	thund	24
S. Frsco	hazy	23
Seoul	fair	18
Singapore	thund	29
Stockholm	fair	10
Strasbourg	shower	16
Sydney	shower	22
Tangier	fair	24
Tel Aviv	sun	30
Tokyo	shower	20
Toronto	cloudy	16
Tunis	fair	30
Vancouver	sun	16
Venice	thund	19
Vienna	fair	16
Warsaw	fair	12
Washington	fair	19
Wellington	fair	15
Winnipeg	shower	5
Zurich	fair	18

FINANCIAL TIMES
COMPANIES & MARKETS
Friday October 1 1993

INSIDE

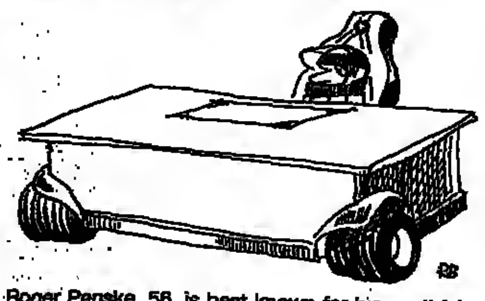
Chemical Waste and USAir to slash jobs

USAir has warned of further cost-cutting and 2,500 more job losses as weak revenues over the summer reversed its fragile return to profitability of the second quarter. Chemical Waste Management, the handler of hazardous waste, is also cutting its workforce by more than one-fifth as well as planning to take asset write-downs, and restructure operations. Page 23

Second SAS resignation

A second senior executive at Scandinavian Airlines System (SAS) is to step down following the surprise resignation on Monday of Mr Jan Carlzon as president and chief executive. Page 22

Fast track record for diesels



Roger Penske, 56, is best known for his youthful exploits as a motor racing driver. He has another impressive track record – as an entrepreneur. His company Detroit Diesel, which makes diesel engines, is to be floated next week, valuing the group at $400m. Page 23

GrandMet bids for distiller

Grand Metropolitan, the food and drinks group, has joined Robertson & Baxter, the large Scottish private company, in a recommended offer for North British Distillery which values the Edinburgh-based grain whisky distiller at £84m ($127m). Page 26

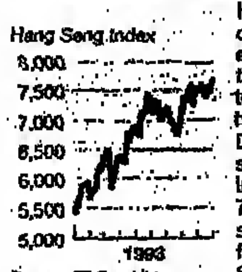
Bass chief warns of tax impact

Mr Ian Prosser, chairman and chief executive of Bass, spoke out against the impact of changes to end-product taxation of beer saying it would cut profits by £6m ($9m) this year and £18m in 1994. Page 26

Fenner plans £17m cash call

Fenner, the industrial products group, has announced plans for a one-for-two rights issue to raise £17.4m ($26m). Page 28

Hong Kong closes at record high



Source: FT Graphite

Hong Kong rose 1.7 per cent to a record close, encouraged by the tone of the Chinese foreign minister, Qian Qichen, before his meeting today with Mr Douglas Hurd, UK foreign secretary. The Hang Seng index rose 125.12 to 7,676.22 in turnover that swelled to HK$4.95bn from HK$2.86bn. Morgan Stanley raised the Hong Kong weighting in its global equity model portfolio from 0.2 per cent to an overweight 3 per cent. Back Page

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Heidelbgr	745	+	22
Berliner Kraft	221	+	20
D'sche Babcock	191.5	+	9
Hoechst	318	+	8.5
Falls			
Bilfinger Zem	1080	-	38
Dt Conti	430	-	10

PARIS (FFr)			
Rises			
Essilor	820	+	12
SLIC	614	+	14
Falls			
Air Liquide	766	-	11
Bancaire Cie	494.2	-	20.8
Fonc Lyonnaise	800	-	20
Pernod Ricard	413.8	-	11.1

NEW YORK ($)			
Rises			
Texaco	68⅞	+	⅝
Falls			
Gen Motors	42¼	-	1⅝
Intel	71⅛	-	1⅝
UAL	138⅛	-	2
USAir	12¼	-	¾
USF & G	14¾	-	1⅛

New York prices at 12.30.

TOKYO (Yen)			
Rises			
Central Sec	1860	+	180
Chiyoda	3600	+	230
Japan Steel	1320	+	70
Falls			
Central Glass	621	-	28
Mazda Motor	483	-	31
Shiseido	700	-	58

LONDON (Pence)			
Rises			
Acorn Computer	94	+	6
Beazer	135	+	10
Ferranti	100	+	14
First Leisure T	68	+	4
Glaxo	578	+	20
Hurdsleigh Tech	465	+	37
Jacques Vert	150	+	5
Londs Motor	33	+	10
McCarthy Stone	44	+	6
Office & Elect	81	+	8
Steel Burrill	134	+	6
Thorpe (FW)	125	+	17
Ulster TV	124	+	7
Vernon Inv	11	+	2½
YRM	34	+	2
Falls			
Atlas Conv Eqp	533	-	147
BTR	62½	-	5½
Cathay Int	30	-	10
Forte	227	-	7
Hillsdown	180	-	8
Lex Printing	71	-	2½
Pentos	44	-	14
Pifco A	265	-	8
Sykes-Pickavant	35	-	4
Symonds Eng	21	-	4

NBC makes push into Europe

By Raymond Snoddy in London

NBC, the US network broadcaster, is making its biggest push into the European market with the purchase of a majority stake in *Super Channel*, the satellite company available in nearly 60m homes across Europe, mainly through cable networks.

NBC was last night believed to be signing a £40m ($61.6m) deal to buy 75 per cent of the channel. The target is controlled by the Marcucci family, which has broadcasting and industrial interests in Italy.

The US company is likely to continue the general entertainment thrust of the channel in the immediate future while increasing the amount of business and financial news.

Earlier this year CNBC, the NBC cable channel in the US that specialises in business news, said it planned to expand in Europe and eastern Asia.

Mrs Marialina Marcucci, the Super Channel managing director, bought the channel in 1988 for £9 and paid £2.5m to creditors. The channel, set up in 1987 by a consortium of UK independent television companies, plus Mr Richard Branson's Virgin Group, was at one stage losing £1.5m a month. The Marcuccis have invested £25m in building the channel's network across west and eastern Europe.

Crédit Lyonnais will hold a 25 per cent stake in the channel, although the Marcucci family is likely to retain an interest in that stake and Mrs Marcucci is expected to remain on the Super Channel board.

It is believed the Marcucci family decided a leading company, such as NBC, was needed to take the channel forward to its next stage of development. Mrs Marcucci intends to set up a television programme production business in London and is already in talks to acquire a medium-sized independent production company specialising in factual programming.

Super Channel found it difficult to compete with large broadcasters for recent films and big sportsevents, but instead developed niche magazine programmes such as Film Europe. It also carries programmes from FT TV, the television programme-making arm of the Financial Times.

In countries such as Austria, Switzerland and Holland, executives say, Super Channel has 3 per cent of the television audience.

NBC's entry into the European market should raise the profile of satellite television.

NBC is one of a number of US broadcasters showing increasing interest in Europe. Last month Mr Ted Turner launched a channel called TNT/Cartoon Network made up of cartoons during the day and classic films at night.

German housing lifts Redland

By Paul Taylor in London

THE STRONG house-building market in Germany helped Redland, the international construction materials group, to report a 22 per cent increase in pre-tax profits to £108m in the first six months of the year.

The profit performance was better than expected and compared with pre-tax profits of £88.5m in the first half of 1992.

Redland's share price gained 9p to close at 564p.

Mr Robert Napier, chief executive, said conditions were improving in all Redland's main markets.

Overseas operating profits rose 41 per cent to £106.8m, benefiting from "another excellent performance" in Germany, where the group has a 51 per cent stake in Braas, the country's biggest roof tilemaker. Overall the German contribution rose from £41.1m to £56.2m.

Profits were also supported by improved results in the Netherlands, Italy and Australasia, a strong recovery in profits in the US and sterling's devaluation.

France was the exception. Mr Napier said further interest rate cuts and implementation of the Balladur package were needed to revitalise the economy.

Group operating profit increased 39 per cent to £120.9m, but interest payments nearly trebled to £19.3m largely reflecting the acquisition of Steetley in March last year. Turnover rose 30 per cent to £1.14bn.

The UK contributed £14.1m in profits, the £2.8m increase reflecting cost savings from the rationalisation of the Redland and Steetley brick and aggregates businesses.

Redland's roofing operations raised operating profits to £85.2m, up from £58.9m. Braas's roof tile volumes in Germany rose 7 per cent, an increase of 2 per cent in the west and 33 per cent in the east.

Redland's aggregates business posted operating profits of £23.6m (£18.1m). In the UK, volumes in sand, gravel and ready-mixed concrete fell but profits were slightly ahead. Brick operations also reported higher operating profits of £12.1m (£10m).

Net debt fell from £664m at the end of December to £641m at the end of June, gearing of 39 per cent. The interim dividend is maintained at 8.25p and the group is offering an enhanced scrip dividend alternative worth 12.375p.

Earnings per share slipped to 11.6p (11p), reflecting increased minorities, mainly in Germany, a higher tax charge of 29 per cent and an increase in the number of shares.

Picture, Page 29; Lex, Page 20

The West rings the changes in eastern Europe

Andrew Adonis, Nicholas Denton and Christopher Bobinski report on the growing investment to upgrade telecommunications

Western Europe has an average of 43 telephone lines per 100 people. In eastern Europe, only the Baltic states and Bulgaria have more than 20, while most of the region has between 10 and 15.

Therein lies the opportunity for western telecoms companies. But it also explains their caution about investing, for the region's poor telecommunications are a reflection as much as a cause of its fragile economies.

"Companies don't want to get left out, but are unprepared to take large risks," says Mr Ross Parsons, east European telecoms analyst with the consultancy CIT Publications. "However, in eastern Europe significant investments come cheap by western standards."

The contrast is stark. Siemens is estimated to have invested $110m in Hungary. Earlier this month it made its biggest east European investment this year: 80 per cent stakes in two Polish telecoms companies, ZWUT in Warsaw and Elwrow in Wroclaw, for $36.5m, with a promise to invest $57m over the next six years. Earlier this year Siemens was rumoured to have offered GEC, the UK supplier, $1.2bn for 60 per cent of GPT, its telecommunications division.

It is the same story with privatisation. Hungary is set to be the first east European country to privatise its main network operator (Matav). Based on its line coverage, one valuation puts a price of $3.3bn on Matav – of which a third will be offered to a strategic partner later this year. By 1997 Deutsche Telekom will have spent about £45bn ($68bn) in eastern Germany.

Privatisation is likely to be the most effective way of attracting large-scale foreign investment. It can be done in discrete segments. Last year the Ukrainian government established a consortium of its national operator (with 51 per cent), AT&T, Deutsche Telekom and the Netherlands PTT (with 49 per cent between them) to install an international gateway in Kiev and construct an inter-regional long distance network.

The company, Utel, was originally responsible for a long distance service covering 13 regions; this has since been extended to cover the country's 12 other regions. Utel has an exclusive 15-year licence for international and trunk traffic.

In terms of investment, Hungary has taken the lead in telecoms modernisation, and foreign involvement has been commensurately extensive.

Since 1989 Matav has installed digital exchanges and in 1990 chose LM Ericsson and Siemens as exclusive suppliers over five years. Equipment orders have not been as closely tied to investment commitments as in Poland, and Ericsson's main local interest remains a 55 per cent stake in a small joint venture with Muszertechnika, a Hungarian private company.

The other important arena for western players has been mobile communications. This summer Hungary raised nearly $100m in concession fees for two new digital networks. One will be built by US West and Matav; the other by a consortium of telecoms companies from the Netherlands, Denmark, Sweden and Finland. The two groups are expected to invest up to $200m each in network development over 10 years.

Hungary has already attracted about $5.6bn in foreign investment since 1988. Mr Gyorgy Schamschula, Hungary's telecoms minister, believes the privatisation of Matav offers the chance to attract "as much foreign capital again as has come to Hungary so far".

Deutsche Telekom has formed a powerful consortium with Cable & Wireless of the UK and Ameritech of the US to bid for Matav. Industry speculation on rival groups centres on France Telecom, US West, and NTT. Southwestern Bell and Stet, the Italian state operator, are also thought to have bought information memoranda.

By contrast, in Poland ideas for selling a 20 per cent stake in the state operator will probably be shelved by the incoming centre-left government. The state also has strict conditions on foreign investment, for instance, companies are obliged to produce in Poland half of the equipment they install.

In Poland, the future belongs to Alcatel, which is installing systems in Krakow and Piotrkow; Siemens, which is installing $72m worth of local and international switches in Silesia; and AT&T which is building networks in Gdansk, Szczeczin, Wloclawek, Siedlce and Plock and laying 1,500km of fibre optic cable worth $30m.

Funding has come from credits arranged by suppliers, the World Bank, the European Investment Bank and most recently the EBRD for the $150m Gdansk project. Telekomunikacja Polska (TP SA), the state telecoms operator, is highly profitable and plans to cover one third of investment outlays out of its own funds.

Although privatisation of TP SA seems to be off the agenda, local networks can be operated by anyone, local or foreign, without restriction. About 50 local operating licences have been issued, though only two local companies have started to install lines. The main problems are lack of finance and obstructions from TP SA, which is jealous of its monopoly. However, one local project – in Pila to install 100,000 lines at a cost of $80m – appears to be going ahead with backing from the International Finance Corporation. Sprint, the US long-distance operator, will be the managing company.

There is also overseas involvement in Poland's cellular sector. Centertel, a cellular network owned by Ameritech, France Telecom and TPSA has invested $135m and has 10,000 subscribers.

The rest of eastern Europe is a similar patchwork of discrete, small-scale operations and joint ventures by western companies. But if the Hungarian privatisation is seen to be a success, the region could move sharply up the telecoms investment league.

TELEPHONE LINES IN EASTERN EUROPE

	No of main lines, 1991 (000s)	No. of main lines per 100 people 1988	1991
Bulgaria	2,250	22	25
Estonia	340	19	21
Hungary	1,100	8	11
Latvia	640	22	24
Lithuania	820	18	22
Poland	3,600	7.8	9.5
Russia	22,000	12	15
Ukraine	8,000	14	15
For comparison:			
UK	26,000	42	45

Source: CIT Research

Paribas static as recession hits banks

By Alice Rawsthorn in Paris

PARIBAS, the French banking group, yesterday announced flat net profits of FFr1.12bn ($190m) in the first half of this year because of the domestic recession.

The news of static profits from Paribas, the leading player in French investment banking, comes at a turbulent time for France's banks.

The industry has for some time faced the parallel problems of weak demand for credit and the need to make steep provisions on its property holdings and on sour loans to small companies.

Crédit Lyonnais last week announced that its interim deficit had deepened from FFr119m to FFr1.06bn between the first halves of 1992 and 1993.

Even Crédit Commercial de France, previously one of the more robust banks, yesterday reported that a steep increase in provisions had trimmed its interim net profits growth to just 10.7 per cent making a total of FFr541m.

Paribas hit its nadir in 1991, the year before the recession started to affect other French banks, when it incurred its first ever loss.

The group, which includes the Crédit du Nord retail banking network, returned to the black last year, but its recovery was checked in the first half of this year.

Mr André Lévy-Lang, chairman, yesterday said that the group's market trading activities had fared well during the first half, but its banking interests had been affected by the depressed state of the European market, triggering an increase in provisions.

Paribas' first-half net banking income rose by 33 per cent from FFr12.42bn to FFr16.5bn, chiefly because of a strong performance from the Banque Paribas investment bank.

However, it suffered a sharp shortfall in additional income from FFr3.52bn to FFr7.45m mainly because of a reduction in proceeds from share sales. Gross operating profits increased 11.3 per cent from FFr7.01bn to FFr7.8bn.

The group was forced to raise provisions 34 per cent from FFr4.75bn to FFr3.55bn.

It was also forced to write down part of Banque Paribas' exposure on loans to developing countries.

CCF results, Page 22

Sumitomo writes off securities losses incurred by subsidiary

By Robert Thomson in Tokyo

SUMITOMO Corporation, the Japanese trading house, is to write off unspecified securities losses incurred by a financial subsidiary which had invested Y80bn ($754m) through special trading accounts to supplement core profits.

Sumitomo said tha subsidiary – SC Finance – had appraisal losses of around Y20bn at the end of March, when the Nikkei index closed at 18,591, far below the market peak of 38,915.87 of late December 1989. The index closed at 20,105.71 yesterday.

Many Japanese companies, including trading houses, had come to regard stock investment as a "new profit centre" during the late 1980s, but have since suffered bruising losses, most often on "tokkin" or specified money trusts. Tokkin became popular during the 1980s, as capital gains could be converted to income, prompting some companies to use the trusts for investment in risky stocks.

However the fall of Tokyo stock prices in 1990 meant investors suffered huge losses.

The move by Sumitomo follows Mitsubishi Corporation's rescue earlier this year of a subsidiary, MC Finance, which had accumulated losses of Y28bn on securities investments of about Y70bn.

Mitsubishi established MC Finance to act as a banker for subsidiaries, borrowing large sums from banks at discount rates and passing on the savings to smaller members of the group, but the company was later encouraged to generate income through stock investment.

Sumitomo did not say what impact the write-off would have on pre-tax profits for the first half, which ended yesterday, but the company is expected to sell other stocks to cover the losses.

In the year to March, Sumitomo reported an appraisal loss on securities holdings of Y18.7bn and had a special profit of Y12.9bn on a property sale.

Japanese companies could be tempted to write off the investment losses now because there are increasing fears that Tokyo stock prices will slip again in coming months.

When stock prices first began falling, companies were so shocked by the losses on tokkin that they complained to leading brokers, who were later punished for unfairly compensating them.

Crédit Commercial rises 10.7%

By Alice Rawsthorn in Paris

CREDIT Commercial de France (CCF), one of France's leading retail banking groups, increased net profits by 10.7 per cent to FFr541m ($95.4m) in the first half of this year, in spite of the sluggish state of the French banking sector.

Mr Charles de Croisset, who took over as chairman of CCF earlier this year following the appointment of Mr Michel Pébereau as head of the Banque Nationale de Paris banking group, said that one of the main reasons for the growth in CCF's profits had been its efforts to "strengthen cost control" to offset the effects of the difficult trading climate.

Although other French banks, notably the loss-making Crédit Lyonnais, have come under intense pressure in the past year, CCF has remained robust because of its niche position as a value-added retail bank and its relatively low exposure to the weaker areas of the economy, such as small businesses.

Net banking income rose by 17.6 per cent to FFr4.62bn.

Operating profits rose by 54.9 per cent to FFr1.81bn.

However, CCF was forced to raise its provisions by 49.5 per cent to FFr945m.

Mr de Croisset attributed the increase to "the difficult economic environment and the impact of a deterioration in the property market."

CCF, like other French banks, has also had to take account of the extra costs it may incur as a result of the general reforms of pensions for employees in the banking industry.

The group set aside FFr800m in the first half of the year to cover this.

Deficit at Alitalia deepens to L214bn

By Haig Simonian in Milan

ALITALIA, Italy's state airline, followed the trend in the European aviation industry with a L214bn ($135m) loss for the first six months of the year.

The results, which put paid to earlier hopes of breaking even in 1993, reverse a trend of progressively lower losses in the past two years. In the first half of last year, the group lost L39bn.

The airline, which has some of its shares listed on the stock exchange, blamed the recession, which reduced demand and triggered pressure on ticket prices.

To counter the downturn, it planned capacity cuts (especially on domestic routes), efficiency improvements and would compete "aggressively" to counteract the effects of fare wars.

Sales rose 7.3 per cent to L2,735bn, while the number of passengers carried climbed 2.9 per cent, in spite of a 9 per cent fall in domestic traffic.

Load factors were 62.3 per cent for passenger traffic and 67.6 per cent for freight.

Alitalia's loss, which some analysts expect to total about L300bn by the end of the year, came in spite of extraordinary earnings of L112bn from asset sales.

The company raised L92bn from similar sales in the same period last year.

The results were partly affected by Alitalia's ambitious investment programme, which included L104bn for last December's purchase of 30 per cent of Malev, the Hungarian state airline.

Spending on new aircraft amounted to L439bn in the first half.

● Fincantieri, the Italian state-owned shipbuilding group, reversed a long-running string of losses to report a net L3.7bn profit for the first half.

The company said a strong order book, lower costs and improved productivity were expected to keep it in profit in the second half of the year.

Price cuts help Benetton lift profits by 6.3%

By Haig Simonian

BENETTON, Italy's biggest producer of casual clothing, saw a 6.3 per cent rise in net first-half profits, to L98.6bn ($62.4m), in spite of the slowdown in many leading clothing markets.

Sales climbed by 10.4 per cent to L1,362bn. Benetton's turnover was lifted partly by the lower value of the lira, which inflated non-Italian sales. However the company has also benefited from cutting its prices in many markets.

Sales growth was particularly strong outside Europe, with a 35 per cent leap in turnover.

Combined sales in North and South America and Japan rose by 20 per cent, compared with an 8 per cent rise in Europe.

The company has appointed Mr Carl Hahn, the former managing director of Volkswagen, to the board. Benetton said the choice "expressed the company's desire to find ever-greater synergies with leading representatives of the culture of international industry".

Benetton attributed its profit rise to its policy of price cuts and improved quality control. The group said the effects of the pricing policy, started earlier this year, would show through fully in 1994.

The impact on its 012 line of children's clothing had been particularly marked, with a 20 per cent improvement in the volume of orders for the spring-summer 1994 collection, due out early next year.

Gross operating profits rose by 20.2 per cent to L553.2bn from L460.3bn. This was due largely to lower operating costs, notably via reduced prices for bought-in goods and materials.

While last year's decision to buy control of some local suppliers helped contain operating costs, it also helped to push up net indebtedness to L536bn from L326bn last December.

Debt charges rose by L6.5bn to L23.3bn, compared with L16.7bn in June 1992.

Norwegian groups to merge helicopter units

By Karen Fossli in Oslo

TWO NORWEGIAN groups plan to merge their helicopter activities to operate what is claimed to be the world's most modern twin-engined transport helicopter fleet, with estimated combined 1993 revenues of NKr1.5bn ($205.5m).

Ludvig G. Braathens Rederi, which operates domestic and European airline services, and Helikopter Service, the Stavanger-based helicopter operator, said that they intended to merge, but they did not say when the merger would take effect.

The value of the new company, Braathens Helikopter, has been assessed at NKr225m under the deal.

The two companies, with a combined workforce of 900, achieved estimated pre-tax profit of NKr23m for the first seven months of this year.

● Color Line, the Norwegian cruise and ferry group, reported that eight-month interim pre-tax profits had slipped to NKr104m from NKr132m, in spite of a better-than-expected summer travel season.

Group operating income rose to NKr1.254bn from NKr1.154bn as operating profit dipped to NKr245m from NKr260m last year.

However, during the second four-month interim period of the current financial year, pre-tax profit rose to NKr249m from NKr233m on respectiva operating income of NKr852m and NKr792m.

Forte group disappoints with £37m pre-tax

By Michael Skapinker, Leisure Industries Correspondent

FORTE, the hotels and restaurants groop, yesterday announced interim pre-tax profits at the bottom end of expectations, and said conditions remained depressed in both the UK and continental Europe.

Pre-tax profits of £37m ($55.5m) for the six months to July 31, compared with a restated £19m, but most analysts had been looking for more.

Forte also disappointed some in the City who had been hoping for an announcement on the sale of the Harvester restaurant chain. Mr Rocco Forte, chairman, said talks were continuing.

The share price fell 10p to 227p.

London hotels provided one bright spot, with sales up 9 per cent and profits np 28 per cent. Visitor numbers from mainland Europe fell, hnt Mr Forte said there had been a 20 per cent increase in US visitors.

Provincial UK hotels raised profits on static sales as a result of cost savings. Continental European hotels deteriorated, however, as recession took hold.

In the US, the Travelodge chain saw occupancy rise by 2 per cent and room rates by 3 per cent. This was offset by a poor performance from the luxury hotels in New York.

The Relais motorway restaurant chain in France, acquired last December, was another strong performer.

In the UK, higher profits from the roadside restaurant business were offset by the poor performance of city centre restaurants. The improvement at the Welcome Break, Happy Eater and Little Chef chains came in spite of a 4 per cent fall in UK road traffic in the first quarter of 1993 and a 3 per cent fall in the second quarter.

Sales fell to £1.1bn from £1.36bn. The interim dividend was maintained at 2.75p, just covered by earnings per share of 2.8p.

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Carlzon ally steps down from SAS executive post

By Hugh Carnegy in Stockholm

A SECOND senior executive at Scandinavian Airlines System (SAS) is to step down from his post following the surprise resignation on Monday of Mr Jan Carlzon as president and chief executive, it emerged yesterday.

The departure of Mr Steffen Harpoeth, the deputy president and close ally of Mr Carlzon, is one of the management changes that were expected in the wake of the announcement that Mr Carlzon was quitting day-to-day leadership of the airline to concentrate on negotiations over Alcazar, a four-way alliance with KLM Royal Dutch Airlines, Swissair and Austrian Airlines.

Mr Harpoeth's responsibilities were corporate control and finance. He has not been involved directly in the Alcazar negotiations and it is understood he will not be involved.

His daparture is likaly to strengthen allegations, widely aired in the Scandinavian media, that Mr Carlzon was pushed out as head of SAS, which is jointly owned by Sweden, Denmark and Norway, because of concerns over its recent dismal financial performance and scepticism over the viability of Alcazar.

These allegations have been denied by SAS and blamed on longstanding tensions between the three national camps within SAS, particularly Danish trade union hostility towards Mr Carlzon, who is Swedish. SAS insists Mr Carlzon's desire to devote himself full-time to the complex Alcazar project should be taken at face value.

Mr Carlzon has acknowledged that the long-drawn out Alcazar negotiations have diverted attention at SAS away from the task of reversing a three-year record of loases. Officials say a far-reaching rationalisation programme aimed at raising efficiency by 50 per cent in the five years to 1996 has come close to a standstill after initial savings of SKr3bn ($380m) were achieved in 1991 and 1992.

Losses in the first half of the year reached SKr609m, compared with a full-year loss in 1992 of SKr743m.

Mr Jan Rainas, Mr Carlzon's Norwegian successor as chief executive, has said his priority is to get the rationalisation effort back on track. This is likely to entail a further retrenchment from the Global Travel Service System strategy espoused by Mr Carlzon in the late 1980s.

However, Mr Rainas is due to leave SAS next April to head Norske Skog, the Norwegian forestry group, leaving the airline without clear management leadership should the Alcazar project collapse. SAS is therefore dangerously exposed if Alcazar does not work, but Mr Tage Andersen, the Danish chairman of SAS, has stressed his commitment to it.

For all the denials of divisions within SAS, there have heen conflicts of interest between the Danish and Swedish camps. Denmark wants the headquarters of the Alcazar project to be hased at Copenhagen's Kastrup airport, while many in Sweden would like to see Mr Carlzon as the project's leader.

Stena Line lifted by strong UK division

By Christopher Brown-Humes in Stockholm

STENA Line, the world's biggest ferry operator, yesterday announced higher profits for the first eight months as a stronger performance from its UK operations helped to offset the impact of weaker results in Scandinavia.

Profits after financial items were SKr271m ($34.3m), SKr16m higher than in the same period in 1992.

The group predicts full-year profits of SKr250m, up from SKr212m in 1992. Results in the final four months are weak because of seasonal factors.

Turnover was up 16 per cent to SKr6.23bn, due to currency factors and volume growth. Passenger numbers rose 2 per cent to 10.3m, while freight volumes increased 5 per cent to 542,000 units.

A combination of UK economic recovery, rationalisation and lower financing costs has brought a turnround within Stena Sealink, the company's UK unit.

The group's international operations, which are based round Stena Sealink, saw passenger numbers rise 11 per cent to 6.5m and freight traffic increase 10 per cent.

The gronp's Scandinavian activities are profitable, bnt their performance has worsened. Passenger numbers fell 11 per cent to 3.8m in the first aight months, with freight volumes down 5 per cent.

The group has introdnced a rationalisation programme to shed 700 johs and save SKr200m a year. It took an eight-month charge of SKr55m for redundancy costs, and it has allowed for a further SKr25m charge in the final four months when making its full-year forecast.

Saga advances 10% in first eight months

By Karen Fossli in Oslo

SAGA Petroleum, Norway's biggest independent oil company, yesterday announced a 10 per cant increase in 1993 eight-month interim net profits to NKr296m ($40.5m) from NKr269m in the same period last year. It was helped by increased petroleum production, higher oil prices and lower exploration costs.

The result was marred by an unrealised currency loss of NKr282m on long-term dollar denominated debt.

Revenue in the period rose to NKr4.02bn from NKr3.350bn as operating costs increased to NKr2.79hn from NKr2.51hn. Operating profit rose to NKr1.23bn from NKr843.

Prodnction of oil, gas and condensate rose to 3.5m tonnes of oil equivalent, of which oil accounted for 90.1 per cent.

USAir warns of return to red in third quarter

By Richard Waters in New York

USAIR yestsrday warned of further cost-cutting and 2,500 more job losses. The carrier said weak revenues over the summer had reversed its fragile return to profitability of the second quarter.

The company said that, after s one-off charge of $75m, it would report a pre-tax loss of $180m for the third quarter. This compares with a pre-tax profit of $5.8m (and net loss of $12.6m) in the second three months of the year.

It also repeated a warning that it would report a net loss for 1993 as a wbole, and an operating loss for the year.

The projected losses had prompted the airline, in which British Airways has a minority stake, to take steps to cut $200m from its costs next year, said Mr Seth Schofield, chairman and chief executive.

"Consumers are becoming increasingly price-sensitive, and we are witnessing a resurgence of low-fare competition from airlines whose cost structures enable them to offer the lower prices that consumers demand," he said.

The airline said it planned to cut 2,500 full-time jobs by the middle of next year, and that the costs of this would be reflected in its third-quarter results.

A retroactive accounting change for post-retirement benefits would result in a charge of $44m for the year, ths company added.

The renswed cost-cutting efforts failed to lift USAir's share price yesterday. They fell by $¼ to $12¾, close to their low for the past 12 months, in early trading.

UNITED AIRLINES said it hoped to keep alive discussions with unions aimed at radically shrinking its cost base, in spite of a statement yesterday from the Association of Flight Attendants that it was pulling out of the talks, writes Richard Waters.

The Association said its decision was prompted by United's move to open a flight attendants' base in Taiwan and its plans to open other bases in east Asia.

While indicating it would not change its decision, United said it remained "fully receptive" to continuing its discussions with the unions about the serious economic and competitive issues facing the airline.

Shares in UAL, United's parent, were $1¾ lower at $139¼ before the close in New York yesterday.

Chemical Waste to cut jobs

By Laurie Morse in Chicago

CHEMICAL Wasts Management, the Illinois-based handler of hazardous waste, is to reduce its workforce by more than one-fifth. It also plans to take substantial asset write-downs, and restructure operations to slash costs, after a disappointing year.

The measures will result in a $363m charge to earnings in the third quarter, the equivalent of $1.74 per share. WMX Technologies, the international rubbish hauler which owns 79 per cent of Chemical Waste, said the charge would reduce its third-quarter net income by $285.3m, or 59 cents a share.

Analysts said the write-downs and cost-savings were larger than expected, and should provide short-term benefits to financial performance. However, with serious overcapacity in the waste-handling business in the US, "their biggest challenge remains the need to generate revenue growth", said Mr Jim McDonald, analyst for Chicago Corporation.

Chemical Waste said it intended to reduce its 5,000-strong payroll hy 1,200 before the end of 1994. It hoped some of these joh losses would come through the sale of some units.

Most of the asset write-downs involve hazardous waste incinerators. The company has completely written off its troubled waste-burning plant in southern Chicago, and is to seek joint venture partners for an incinerator unit at Port Arthur, Texas.

It said its would also consolidate its treatment and disposal operations throughout North America, and sell selected operations. Further savings are planned by switching the transport of some waste from its own trucking operations to road contractors and rail.

Mr Pat Payne, president, said the group was depending on its international engineering, construction and consulting arm, Rust International, for growth. Rust is expected to contribute $1.6bn in revenues this year.

Murdoch to complete purchase of NY Post

By Karen Zagor in New York

MR Rupert Murdoch has agreed to resume publishing the New York Post following a decision by leaders of the newspaper's production unions to break a four-day strike by journalists.

Earlier this week, Mr Murdoch said he was walking away from his agreement to buy the bankrupt tabloid after members of the Newspaper Guild, representing journalists and advertising staff, went on strike over pay and conditions, and msmbers of the psper's other unions refused to cross the guild's picket line.

But after leaders of ths paper's eight craft unions, including pressmen and drivers, said late on Wednesday that their members would return to work, Mr Murdoch said be would complete his $25m purchase of the paper.

In spite of assurances from leaders of the Post's eight craft unions that its members would cross picket-lines, it was uncertain last night whether the newspaper would reappear on news-stands today.

On Mondsy night, when guild msmbers walked out, pressmen and drivers refused to comply with their leadership's pledge to Mr Murdoch thst they would continue working.

Before this week's walk-out, it appeared that Mr Murdoch had isolated the guild from the other unions, which accepted $6.2m in contract concessions in July.

At the time, the guild agreed to return to work while negotiations continued. Its support of the journalists was a surprise.

Injecting life into an old jalopy

Martin Dickson charts racing hero Roger Penske's successes at engine-maker Detroit Diesel

ROGER Penske, 56, is best-known to Americans for his youthful exploits as a racing driver and his more recent success as owner of the prize-winning racing car team which bears his name.

However, the flotation, expected next week, of a company he has nursed back to health, testifies to his other impressive track record – as an entrepreneur.

It also provides an object lesson in how a business smothered by a large, slow-moving corporate parent can gain a new lease of life under more nimble management.

The company is Detroit Diessl, which makes diesal engines primarily for the heavy-duty truck market, but also for buses, power generation and the mining, construction and boat industries.

It is selling 4.75m shares – 3.8m in the US and 950,000 internationally – in an initial public offering at up to $18 s share. This will raise around $80m and value the group st soms $400m. The proceeds will be used to reduce debt and expenses, and buy a business.

Formerly known as Detroit Diesel Allison, the company was a subsidiary of General Motors, the largest US car manufacturer, until 1988, when Mr Penske's private business empire scquired an 80 per cent controlling stake.

GM, which retained the remaining 20 per cent, was anxious to get out of the business partly because of Allison's poor financial performance and partly because it wanted to focus its energies on turning round its troubled North American car operations.

Mr Penske, whose business acumen has won him seats on tbe boards of American Express and Philip Morris, and whose interests include large car dealerships and one of America's biggest truck leasing businesses, gambled correctly that Allison's woes masked great potential.

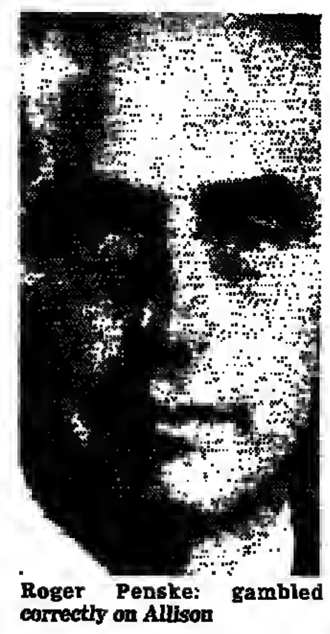
Its share of the North American on-highway heavy-duty truck engine market has jumped from just 4 per cent in 1988 to 26 per cent last year, with revenues up 63 per cent, to $1.37bn from $842m.

Ths net income figures are much less impressive, rising from $8.5m to $10.5m over the same period, and 1992 was flattered by a first-half $4.3m one-time gain. Still, the company has bounced back from losses of $2.9m and $5.2m in the recessionary years of 1990 and 1991, and the first half of this year saw net incoms up from an underlying $1.2m to $8.9m.

This turnround is largely s tale of two engines. In the 1980s, under GM's ownership, the company floundered because of the poor reputation of its 92 Series heavy-duty engine, which was introduced in the late 1970s and initially captured a large share of the truck market. However, the hastily-designed 92s turned out to have poor fuel consumption. Sales nose-dived and so did Allison's reputation.

DETROIT DIESEL
Sales of on-highway truck engines

1988	9,700
1989	14,161
1990	18,901
1991	28,677
1992	38,063



Roger Penske: gambled correctly on Allison

The recent revival is due largely to the company's Series 60 engine, which was the first in the industry to incorporate the sophisticated electronic systems used in cars to improve fuel economy and cut pollution. GM deserves much of the credit for this, since the engine was developed under its ownership.

However, Mr Penske has continued to invest heavily in R&D, which absorbs 4 per cent of net revenues and employs 11 per cent of the workforce.

Detroit is putting a great deal of effort into developing engines using alternative fuel sources, such as natural gas, to comply with increasingly strict US emission control standards.

It also has a partnership with Mercedes-Benz, the German vehicle and engine manufscturer, to develop diesel engines and components.

Daimler-Benz, Mercedes' parsnt, is demonstrating its faith in Detroit by using the flotation to take a 13 per cent stake in the business, through debenture conversions and stock purchases. It also has the right to take its stake up to 20 per cent through additional share-buying over the next 12 months. The offering will cut Mr Penske's stake to around 52 per cent and GM's to 13 per cent.

Mr Penske's greatest contributions to the business have almost certainly been his motivation of the management and workforce – whicb remains essentially the same as in the GM days – and his flair for marketing the company's new products to an initially-sceptical truck industry.

He keeps in close contact witb the workforce and has good relations with union leaders. At the same time, however, he has managed to cut costs and crack down on absenteeism.

He makes rapid decisions – using lessons picked up in the racing pits during quick-fire vehicle repairs – in stark contrast to GM's cumbersoma bureaucracy. And while GM has failed to keep in close touch with car buysrs, Mr Penske is an apostle of customer satisfaction and a relentless salesman, drswing unashamedly on the glamorous image of his racing team.

Yet despite the turnround, Detroit Diesel cannot afford complacency. For one thing, it has to improve its profitability to get a better return on sales. The slowly improving US economy, boosting demand for engines, could help hsre.

And it still faces extremely strong competition from its two chief North American rivals, Csterpillar and Cummins Engine. Both have been introducing technologically-advanced new engine models. Mr Penske may have rescued Detroit from s permanent pit stop, but his race is far from over.

NEWS DIGEST

Argentina awards road concessions

THREE consortia of local and international companies have won government concessions to operate as toll roads the three motorways feeding Buenos Aires, writes John Barham in Buenos Aires.

Groups from Argentina, Spain, Mexico and Brazil are to invest $700m over 20 years to upgrade the city's motorways. Only after initial works have been completed will they be allowed to start charging tolls.

Huarte, a Spanish construction company in alliance with local groups, will operate the motorway to Buenos Aires airport; Sideco, a powerful local conglomerate, will operate the northern artery. Local construction company Benito Roggio, together with Brazilian and Mexican allies, takes over the western highway.

Canadian Tire plans further expansion

CANADIAN Tire, a 425-store hardware, sports and leisure goods and car parks chain, is improving margins and planning further expansion, says president Mr Stephen Bachand, writes Robert Gibbens in Montreal.

The icon of Canadian retailing for 25 years, Canadian Tire took some heavy hlows from internal fighting for control and the recent long recession.

Mr Bachand, an American who has turned around a similar operation in the US, told Toronto analysts sales were up nearly 9 per cent in the first eight months of this year. He said the company was reaping benefits from gains in distribution efficiency and improved accounting systems at the store level.

He is developing larger stores to compete with warehouse chains, after two pilot operations exceeded forecast results. However, the US subsidiary will not be expanded until it reaches profitability.

He expects 1994 group earnings to be slightly better than 1992's C$72.3m (US$54.8m), or 80 cents a share.

Canadian publisher revamps head office

THOMSON Newspapers has eliminated 50 head office jobs in Toronto, transferring 30 people to other Thomson Corp publishing businesses.

The group's newspapers are suffering from lower advertising volumes and are trying to raise efficiency.

New owners at Peoples Jewellers

PEOPLES Jewellers has emerged from receivership under new ownership. It will retain its title as Canada's biggest retail jeweller with 190 stores, compared with more than 300 before the recession.

Japanese firm merges with Arthur Andersen

By Andrew Jack

ARTHUR ANDERSEN, the worldwide accountancy firm, yesterday announced that it had merged with Asahi & Co to create the largest professional services organisation in Japan.

Asahi has been granted "corporate membership" of the Arthur Andersen Worldwide Organisation, which will make it part of the firm's global cost-sharing structure. The firm said there had been no payment as part of the merger.

The merger follows an affiliation agreement signed in December last year with Asahi to allow the firm to share fees and receive referrals from Andersen's own Japanese audit firm, Inoue Saito Eiwa.

Asahi & Co is formed from the merger of Asahi Shinwa and and Inoue Saito Eiwa, which together had fee income last year of $197m, about 2,000 staff and just over 300 partners.

Andersen Consulting will continue as a "sister" organisation alongside the new firm in Japan with some sharing of resources. It has $100m in revenues in the country.

The merger is unusual because Asahi becomes a corporate partner of Andersen worldwide.

The Asahi partners do not individually become partners in Andersen, although some may be appointed in the future.

Mr Richard Measelle, Andersen's managing partner, said Asahi & Co would retain its existing name "indefinitely" rather than being called Andersen.

He said a growing number of the firm's practices used other names for marketing or regulatory reasons.

Mr Measelle called the merger "a truly significant milestone for our firm".

It is the most important such development since Andersen merged with SGV, a large independent Asian practice based in the Philippines, in 1985.

Asahi had previously been affiliated with Ernst & Young, but all links with this firm have now been severed.

Bouygues to head electronic paging network partners

By John Ridding in Paris

BOUYGUES, the French construction and engineering group, said yesterday that it had been selected to head a consortium to run a new network of electronic paging services.

The consortium, called Omnicom, plans to be operational in the Paris region by the end of 1994 and nationwide by the end of 1998. It will enter an increasingly competitive market. In addition to three existing players, the government has authorised the telecommunications groups Cofira and France Telecom to establish paging systems.

The announcement followed comments by Mr Gérard Longuet, industry minister, that the government is also considering the creation of a third cellular telephone operator. The two existing operators – France Telecom and SFR, a unit of Compagnie Générale des Eaux – might be given access to a broader range of wavelengths.

Bouygues, which is believed to be interested in entering the cellular telephone market, will hold just under 50 per cent of Omnicom. Pacific Telesis International, a subsidiary of Pac-Tel, the US telecoms group, will be the principal technical partner in the consortium and will hold 18 per cent of the shares.

Other Omnicom partners include Société Générale, the French bank; Preussen Elektra Telekom, a subsidiary of Veba of Germany; and Neuflize, Schlumberger, Mallet, a subsidiary of ABN-Amro, the Dutch bank.

A spokesman for Bouygues said that the group expected strong growth in the market for electronic paging. He said that with 350,000 subscribers at present, the market was much less developed than in countries such as the US and Japan.

The Omnicom network will operate on the European Radio Message System, a new pan-European standard adopted by 18 countries which allows the transmission of messages of up to 9,000 characters.

● RVI, the bus and truck arm of the Renault group, will create two joint companies with Franfinance, part of Société Générale, Reuter reports from Paris. One unit, Renault VI Financement, will finance loans and leasing agreements for truck sales while the other, Renault VI Location, will rent trucks.

QUF joins bid battle for Associated Dairies

By Nikki Tait in Sydney

AN A$72m (US$48.9m) bid battle broke out yesterday over Associated Dairies, the Victoria-based dairy products company. The development underlines the rapid rate at which Australia's dairy industry is consolidating in the face of deregulation.

QUF Industries, the Brisbane-based milk and dairy goods company, said it was willing to pay A$2.95 a share for Associated Dairies, on an ex-dividend basis. This outstrips the A$2.85-a-share offer from Australian Co-operative Foods, the original predator, and values the target company at about A$72m – about A$2.5m more than the ACF bid.

QUF maintained that its offer was friendly and said it expected it to carry a recommendation from the Associated Dairies board. Associated's directors said they had yet to receive the QUF's formal offer.

However, in the absence of any higher offer, they proposed to recommend acceptance of the new bid. The bid is likely to be formally submitted within two weeks.

ACF indicated that it might still be in the running. "We're not going to lay down and die," its managing director, Mr Alan Tooth, commented.

The bid battle comes less than two weeks after National Foods, a food processing and consumer products company, won control of United Dairies, which has about 30 per cent of the Sydney milk market.

Oki Electric says loss will be less than forecast

By Michiyo Nakamoto in Tokyo

OKI Electric, the Japanese maker of communications equipment and semiconductors, said yesterday that losses for the year ending March 1994 would be less than initially expected.

Oki said it now expects sales for the first half of the year to be 2 per cent higher than previously forecast, at Y255bn (US$2.4bn), and that its pre-tax loss for the six months would be Y7bn, rather than the earlier estimate of Y14bn.

Full-year sales are expected to be slightly lower at Y555bn instead of Y580bn. Pre-tax losses for the year are, however, expected to be more than halved at Y8bn, against the Y19bn incurred in 1992-93.

The company, however, is passing its dividend. It is aiming to return to profit in 1994-95 and resume dividend payments the following year.

In the second half of this year, Oki expects demand to remain weak with its main customers, banks and other corporations, keeping capital spending low.

The main reasons for the improvement in Oki's forecast are strong demand for memory chips, particularly in the US, which has allowed Oki to maintain prices while increasing sales volume and reducing costs, and an increase in orders from NTT, the Japanese telecommunications company.

An improvement in its financial balance, due to lower interest rates, will also help.

Oki is stepping up its restructuring efforts to deal with the adverse business climate. It is to bring forward plans for a 2,000 reduction in its payroll and proposes spinning off its printed circuit board business as a separate company. Costs are also being cut in manufacturing and research and development, the company said.

● Asahi Breweries is to tie-up with Molson Breweries USA, part of the Canadian brewing group, in a move aimed at expanding sales, Reuter reports from Tokyo. Asahi, which exported 700,000 cases of beer to the US in 1992-1993, plans to increase the number to 1.5m within five years.

Shareholder reform reaches Japan

Reluctant companies face radical changes, reports **Emiko Terazono**

JAPANESE companies are under mounting pressure to become more compatible with western corporate culture and to increase the rights of shareholders.

Many companies are bracing themselves for a rush of lawsuits as radical revisions to Japan's commercial code come into force today. These ease filing requirements for shareholder litigants and should, in theory, lead to greater financial disclosure. The commercial code revisions are:

● The cost of lawsuits against company executives by shareholders on behalf of the company will be limited to a flat Y8,200 ($80) rather than a percentage of the damages sought.

● Investors holding 3 per cent of a company's shares will be allowed access to a company's accounts. The earlier limit was 10 per cent.

● Large companies will need at least three auditors with at least one independent auditor. Their term of office will be lengthened from two years to three.

Keidanren, Japan's leading business grouping, is asking companies to become more conscious of shareholders, urging greater disclosure of information and acceptance of the philosophy that companies are not just for employees.

Mr Yoshio Nakamura, director of Keidanren's international economic affairs division, says there is a need to answer claims that the Japanese system is built on ideologies totally different to those of the west. "Japanese companies need to and can become more like US and European corporations," he says.

While corporate executives have responded to the possible rise in lawsuits by rushing to buy insurance cover, only a few companies have so far publicly acknowledged the calls for more disclosure and further shareholder rights.

To prevent disruption, companies try to hold their meetings on the same day, keeping them as short as possible with the help of majority stable shareholders. This year, more than 1,900 companies held their annual shareholders' meetings on the same day in June.

Dividend policy is also part of the shareholders' rights debate. Dividends have been kept low, using the argument that earnings should be retained for future investments. The dividend yield of the Nikkei average is currently around 0.8 per cent, against around 2.9 per cent for comparable US indices.

Companies tend to claim they are institutions run by employees for the benefit of employees. Mr Kanemitsu Anraku, director of Nissan Motor, points out that before the stock market boiled over in the late 1980s, company investment decisions were under the tight grip of their main creditor banks.

Recent stock market trends have eroded the banks' power over companies, but the gap has yet to be filled by shareholders.

Mr Masaru Yoshitomi, vice-chairman of LTCB Research Institute, feels shareholders are in a vacuum. In spite of earlier predictions, the cross shareholding system between companies – one of the leading factors in the lack of shareholders' rights – has yet to change drastically, he says.

Meanwhile, some lawyers are sceptical about changes in corporate attitudes due to the amendment of the commercial law. Mr Hideto Iida, a lawyer who is preparing to take Nomura Securities to court over the way the securities house compensated some clients for stock losses, says it is unlikely that ordinary individual shareholders will take action, since damages are paid to the company instead of the plaintiff.

The recent ruling by the Tokyo district court that directors of Nomura Securities were not required to reimburse the securities house for client stock losses has been an obvious blow to the shareholder litigants.

Businesses may try to resist the corporate governance debate and oppose an elevated role for shareholders for as long as they can. Mr Nakamura at the Keidanren points out that companies may claim that the economy has to recover before they can start caring about investors.

"When profits are down, you only think about trying to boost them up again," he says.

Marriott board agrees plan to split company

By Karen Zagor in New York

MARRIOTT Corporation, the hotels and food services company, reported flat third-quarter earnings and said that its board had voted to go ahead with its planned demerger on October 8.

After a year of battling with angry bondholder groups, the company is splitting into two. Its main operating interests – lodging and food services operations, accounting for about 80 per cent of the unified company's revenues – will be known as Marriott International. Its property assets and its Host/Travel Plazas business, as well as the bulk of the group's debts, will be known as Host Marriott.

Marriott International, the company whose shares will be distributed to Marriott Corporation shareholders in the form of a special dividend, will report its third-quarter results in mid-October.

For the three months to September 10, Marriott had net income of $27m, or 21 cents a share, on sales of $2.03bn compared with net income of $26m, or 21 cents, on sales of $1.95bn a year earlier.

Operating profit before corporate expenses and interest rose to $134m in the quarter from $124m a year earlier.

Stripping out income tax adjustments and lodging dispositions in both years, Marriott said operating profits rose 7 per in the latest quarter on a comparable basis, while net income was 20 per cent higher.

Lodging operations turned in an 11 per cent improvement in third-quarter operating profits including profits from the disposition of an equity interest in an international hotel. Sales were up 3 per cent.

The Host/Travel Plazas division, which will be part of the Host Marriott company, reported higher sales in the quarter but operating profits declined.

Westinghouse makes management changes

By Frank McGurty in New York

MR Michael Jordan, the new chairman of Westinghouse Electric, has set in motion the first of an expected series of management changes at the company. The diversified group has been struggling to recover from an ill-advised foray into financial services during the 1980s.

Mr Jordan, a former PepsiCo executive who was named Westinghouse chairman and chief executive just three months ago, said in an internal memorandum Mr Warren Hollinshead would leave his job as chief financial officer before mid-1995, when he was scheduled to take early retirement.

Analysts expect Mr Jordan to select an outsider as the first member of a team charged with reversing the fortunes of the group, which has taken $5bn in charges in just three years.

In January, Mr Jordan replaced Mr Paul Lego, who is believed to have left under pressure from institutional investors unhappy with his failure to stem losses related to real estate, junk bonds and leveraged buy-out investments.

Over the past year, Westinghouse has attempted to reduce its massive debt burden by gradually withdrawing from financial services.

As part of Mr Jordan's recovery plan, it agreed to sell its electronic distribution and control business for $1.1bn.

However, Westinghouse's difficulties extend into its core operations as well. Earlier this month, it warned of a substantial downturn in third-quarter earnings due to a "continued deterioration" of its environmental clean-up businesses as well as declines in electronic systems, power systems and broadcasting.

Net income from continuing operations is expected to drop 50 per cent, against last year's comparable figure of $91m, or 22 a cents a share.

Treasuries ease across range after economic data

By Patrick Harverson in New York and Conner Middelmann and Tracy Corrigan in London

US TREASURY prices eased across the maturity range yesterday morning, sending long yields back above 6 per cent, following an upbeat Chicago purchasing managers' report.

By midday, the benchmark 30-year government bond was down $\frac{3}{8}$ at $103\frac{3}{16}$, yielding 6.014 per cent. At the short end of

GOVERNMENT BONDS

the market, the two-year note was down $\frac{1}{16}$ at $99\frac{31}{32}$, to yield 3.875 per cent.

After a slow opening, prices ticked lower in mid-morning trade when the Chicago purchasing managers' index, a reliable indicator for the national index which is released today, showed a sharp increase for September. Traders were unsettled by a big jump in the employment index. The data, combined with the earlier report of an 11,000 fall in weekly jobless claims, depressed bond market sentiment and lifted the 30-year yield above 6 per cent again.

The day's other economic figures – a 1.3 per cent increase in August personal income, a 0.3 per cent increase in August personal spending, and a 3.1 per cent decline in August new home sales – were broadly in line with expectations and had little impact on prices.

■ THE sell-off in US Treasuries, and the latest developments in Russia, hit Europe's bond markets in late trading.

German government bonds fell about ¼ point towards the close, led by a sell-off in the futures pits. Bunds have risen in recent days on supportive inflation numbers, and on signs that Germany's industrial employere will take a tough stance in the coming wage round. "After making some hefty profits, people decided to take some profits," said a Frankfurt trader.

The 6 per cent yield on the 10-year benchmark is also proving a hurdle few traders were willing to tackle. "There was no real news to belp us through that level," said the trader. The 6½ per cent bonds of 2003 yielded 6.10 per cent in late trade, up from 6.06 per cent earlier in the day. Traders reported little retail selling though, and bunds are expected to remain range-bound in the next few days.

■ FRENCH government bonds eased in line with Germany on late profit-taking in largely futures-driven trading. As expected, the central bank left its 6.75 per cent intervention rate unchanged at its latest repo operation and traders say bonds are likely to remain range-bound until the next repo allocation Monday.

■ GILT futures ended fractionally lower after retracing earlier gains, while cash market prices were mixed. Dealers said the market lacked any real direction in the wake of Wednesday's auction.

Prices firmed in the morning on the back of rumours of a large switch from US Treasuries into gilts after the auction, but the market ran out of steam in the afternoon. The long gilt future on Liffe ended at 113¼, down $\frac{5}{32}$ from Wednesday's close.

■ THE ITALIAN bond market stood out against the rest of Europe, with the December BTP future hitting another historic high at 116.20. While most of the gains were eroded towards the close, the market is expected to continoe its recent strong performance.

"Italy still looks good – it's hard to be pessimistic about it," said Mr Kit Juckes, European economist with S.G. Warburg. "Italy is not a high-inflation country any more, and this will allow the authorities to cut rates further," he said.

Mr Jockes especially favours selling Belgian bonds against Italian bonds while Belgium remains dogged by its fiscal and structural problems.

Belgian bonds weakened despite the central bank's 0.10-point cut in its central and end-of-day rates. The 10-year yield spread over Germany ended at 133 basis points, against 130 on Wednesday.

FT FIXED INTEREST INDICES

	Sep 30	Sep 29	Sep 28	Sep 27	Sep 24	Year ago	High *	Low *
Govt.Secs.(UK)	102.17	101.86	101.87	101.88	101.65	89.21	102.86	93.28
Fixed Interest	123.05	122.64	122.68	122.58	122.53	103.98	125.20	106.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Sep 29	Sep 28	Sep 27	Sep 24	Sep 23
Gilt Edged Bargains	131.8	99.6	109.5	88.9	96.1
5-Day average	105.2	97.0	98.7	96.3	101.2

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	120.0871	-	6.69	6.82	6.64
BELGIUM		9.000	03/03	110.6500	-0.140	7.39	7.30	7.09
CANADA *		7.500	12/03	103.0750	-1.065	7.07	7.00	6.77
DENMARK		8.000	05/03	109.3000	+0.225	6.65	6.79	6.63
FRANCE	BTAN	5.750	11/98	100.8197	-0.191	5.60	5.67	5.58
	OAT	6.750	10/03	105.0800	-0.210	6.06	6.11	6.10
GERMANY		6.500	07/03	102.8450	-0.240	6.10	6.16	6.16
ITALY		18.000	08/03	105.8000	+0.335	9.30†	9.82	9.85
JAPAN	No 119	4.800	06/99	107.8096	+0.386	3.22	3.44	3.62
	No 157	4.500	06/03	104.9700	+0.518	3.80	3.95	4.13
NETHERLANDS		7.000	02/03	107.5000	-0.200	5.82	6.01	6.06
SPAIN		10.900	08/03	111.8500	+0.050	9.05	9.26	8.88
UK GILTS		7.250	03/98	103-18	-4/32	6.32	6.37	6.28
		8.000	06/03	107-22	+3/32	6.99	7.02	6.79
		8.000	10/08	116-01	+1/32	7.23	7.34	7.18
US TREASURY *		5.750	08/03	102-26	-17/32	5.38	5.38	5.48
		6.250	08/23	103-05	-2/32	6.02	6.03	6.11
ECU (French Govt)		8.000	04/03	109.1100	-0.220	6.67	6.76	6.61

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Japan announces deregulation for securities trade

By Emiko Terazono in Tokyo

JAPAN'S Ministry of Finance yesterday announced a series of measures aimed at deregulating the securities industry in the face of increasing pressure by the new coalition government for a reduction in controls.

However, the 30 measures announced yesterday, which include an easing of restrictions on brokers' door-to-door sales of gold coins and a reduction of mandatory reporting procedures, failed to inspire the financial community in Tokyo.

Japan's financial industry is still heevily regulated compared with leading western countries.

Barriers between banking and securities industries have not yet fallen, and the number of investment products available is far fewer than in places such as New York and London.

The government bas also called for greater disclosure of decision-making procedures within ministries.

The Ministry of Finance has been accused by foreign brokers and some Japanese institutions of inconsistency and a lack of transparency in its decision making.

Of the 30 measures, only 10 were new and aimed at easing some procedural rules on securities trading. The ministry said the reduction in reporting of trading activities, including trading by foreign investors and brokers' own accounts, would belp cut the amount of paperwork at the brokers.

However, brokers said that the effects of the new measures would be minimal, since detailed trading reports are handed to the Tokyo stock exchange every week.

The ministry said that the approval of brokers' entry into new securities related businesses stipulated in the report would not mean that new securities products would be quickly accepted.

Fed rules on commodity derivatives

THE Federal Reserve Board has granted the Bank of Montreal powers to deal in commodity derivatives. The decision is expected to apply to other banks, writes Laurie Morse in Chicago.

The Fed ruling will extend competition between banks and broker-dealers to non-financial futures and options.

Prior to the Fed decision, banks were allowed to trade financial instruments on US futures and options exchanges, but were barred from clearing or servicing customer needs in exchange-traded energy or agricultural derivatives.

The Fed said Chicago-based Harris Futures Corporation could execute trades and clear non-financial transactions at the US's three largest futures exchanges. However, Harris will not be allowed to trade commodity futures and options for its own account, trade the physical commodities or offer commodities advice.

Flow of Canadian dollar issues continues

By Antonia Sharpe

THE RECENT flow of Canadian dollar issues continued yesterday as the Kingdom of Denmark raised C$250m through an offering of six-year Eurobonds.

Mr Niels Sorensen, head of the foreign debt department at Denmark's National Bank, said that the issue formed part of Denmark's policy to replace commercial paper that was falling due with medium-term borrowings.

He added that there was a lot

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of commercial paper falling due this month.

The bonds were priced to yield 32 basis points over the 6½ per cent Canadian Treasury due 1998. Lead manager Daiwa said there was a differential of 12 basis points between the five-year and the six-year area of the yield curve.

Mr Sorensen said that the proceeds of the issue had been swapped into floating-rate dollars at a "comfortable" level below the London interbank offered rate (Libor). He indicated that the margin below Libor was in double digits.

Daiwa said the launch of the issue had been hampered by a half-point fall in the underlying Canadian government bond market. When the bonds were freed to trade, they eased to 98.15 from their re-offer price of 98.65, but the spread remained intact.

There was a blend of retail and institutional interest in the bonds, which offer a significant yield pick-up over the recent spate of five-year Canadian dollar offerings. However, Daiwa said it would take some time to place the entire issue.

Salomon Inc raised $294.5m through a three-year offering of auction-rate notes linked to the yen. Salomon said the notes offered investors exposure to the yen without having to hedge themselves in the foreign exchange market.

In the Eurosterling sector, Pemex, Mexico's state-owned oil company, raised £75m through an offering of 10-year Eurobonds. Lead manager BZW said this was the first time Pemex had achieved a 10-year maturity since the international bond market re-opened to Latin American borrowers.

The bonds were priced to yield 200 basis points over the 8 per cent UK government bond due 2003, but the spread tightened to 195 points after the bonds were freed to trade. The proceeds were swapped into fixed-rate dollars.

Banco de Colombia, the largest commercial bank in the country in terms of deposits, raised $50m through an offering of five-year Eurobonds. The issue completes the borrower's $100m Euro-MTN programme. The bonds were priced to yield 300 basis points over the 4¾ per cent US Treasury doe 1998, which represents an improvement of 20 basis points since June when tbe issuer made a $50m offering of three-year Eurobonds.

● Standard & Poor's, the US credit rating agency, said it had placed Fiat's A-1 commercial paper rating on creditwatch with negative implications.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Salomon‡	294.5	(a)	100R	Oct.1996	0.25R	-	Salomon Brothers Intl.
CS First Boston Group†	200	(b)	100R	Oct.2005	0.50R	-	CS First Boston
Banco de Colombia	50	7.50#	99R	Oct.1998	1.00R	+300(4¾%-98)	Citibank/ SBC
Sumitomo Bank	50	(c)	98.95R	Oct.1998	0.20R	-	Sakura Finance Intl.
STERLING							
Pemex	75	9	99.712R	Oct.2003	1.00R	+200 (8%-03)	Barclays de Zoete Wedd
YEN							
European Sovereign Invs.(d)	10bn	3.30#	101	Sep.1996	1.125	-	Sumitomo Trust Intl.
Marks & Co.Intl.(Europe)(e)	7.4bn	3.30	100.50R	Jan.1998	0.35R	-	Sakura Finance Intl.
CANADIAN DOLLARS							
Kingdom of Denmark	250	6.50	98.65R	Oct.1999	0.275R	+32 (6½%-98)	Daiwa Europe

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Variable rate note. †Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays [illegible]. Callable on payment dates from 31/1/95 at par. Puttable if auction process fails twice. b) Coupon pays 6-month Libor + 0.25%; minimum 5⅛%, maximum 8⅝%. c) Coupon pays 6-month Libor + 0.45%. d) Short 1st coupon, long 2nd coupon. e) Short 1st coupon.

Luxembourg plans first public bond auction

By Conner Middelmann

LUXEMBOURG plans to hold its first public bond auction – of 6¾ per cent 10-year bonds – on October 20.

The Treasury has decided to start auctioning paper for greater visibility and liquidity, an official said. Luxembourg has traditionally issued its government bonds via bank syndicates.

Although he declined to disclose the likely size of the forthcoming issue, he said it may be announced closer to the auction date. The Treasury plans to hold monthly auctions at which all banks licensed to do business in Luxembourg can bid.

The method of issuing bonds will be similar to the Belgian system, where linear bonds with standardised maturity dates and coupons but variable amounts are auctioned every month. Unlike Belgium, however, Luxembourg will not have a system of primary dealers.

Traders were surprised by the bond's coupon, which is some 90 basis points below the yield on Belgian 10-year bonds. Given the two currencies are tightly pegged, the yield gap mystified dealers and sparked speculation that Luxembourg may consider breaking its currency's link with the Belgian franc.

While Luxembourg's ordinary budget is actually in surplus, the extraordinary budget, which includes one-off items such as infrastructure spending, means the country has to fund a small net deficit.

The country's net budget deficit this year will be LFr1.8bn and is forecast at LFr1.9bn for 1994, the Treasury official said.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 5:55 pm on September 30

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	48	7	23
Other Fixed Interest	3	9	12
Commercial, Industrial	268	260	892
Financial & Property	204	84	533
Oil & Gas	29	10	41
Plantations	[illegible]	[illegible]	[illegible]
Mines	43	14	79
Others	40	47	38
Totals	638	422	1,624

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
-	F.P.	-	112½pr	103p	[illegible] 5¼pc Cv Pf	110p	
100	F.P.	-	112½	105	Costa Vesta 6¼pc Cv Bds 2003	112½	+1
-	F.P.	-	117	108	Ex-Lands 7¼pc Cv Ln 2020	115	
100	F.P.	-	100	98¼	Greenalls 7pc Cv Bds 2003	101¾	-¼
-	F.P.	-	92½	90	Ivory & Sime Ent. Cap. Cv Ln 2000	90	
-	F.P.	-	106¼	104½	Nat. Power 6¼pc Cv Bds 2008	105¼	+½
-	F.P.	-	114¼	107¼	Warburg 6¼pc Cv Bds 2008	114¼	+2
-	F.P.	-	118	107	Wiles 6½pc Bds	117	+½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
140	Nil	22/10	34pm	32pm	Adwest	32pm	
120	Nil	4/11	19pm	6pm	Appleyard	11pm	+2
400	Nil	1/10	66pm	46pm	Cadbury Schweppes	56pm	+2
150	Nil	2/11	21pm	18pm	JIB	21pm	+1
260	Nil	3/11	80pm	49pm	MB Caradon	58pm	
160	Nil	10/11	23pm	19pm	Perry Group	19pm	-2
225	Nil	26/10	69pm	51pm	Quarto	57pm	
120	Nil	3/11	20½pm	13¼pm	Tarmac	19¼pm	+¾
72	Nil	13/10	7pm	5pm	Wates City of London	5pm	-½

pm Price at a premium. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

● First Dealings Sept. 27
● Last Dealings Oct. 8
● Last Declarations Dec. 30
● For settlement Jan. 10

3-month call rate indications are shown in Saturday editions.

Calls: Aitken Hume, Aminex, Bardon, Betterware, Brent Walker, Brit. Polythene, Bulgin A, Development Securities, Drummond, Ex-Lands, Hadleigh, IBC, Kewill Systems, Medeva, Pilkington Wts., Shield Diagnostics, St James Place, Steel Burrill Jones, United Biscuits. Puts: Aitken Hume, Alphameric, Aminex, Bardon, Betterware, Brent Walker, Brit Polythene, Development Securities, Ex-Lands, Hadleigh, IBC, Kewill Systems, MFI. Put & Call: Clarkson, HTV, Jerome (S.).

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. All rights reserved.

[illegible]

LIFFE EQUITY OPTIONS

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Thu Sep 30	Day's change %	Wed Sep 29	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	128.67	+0.02	128.65	[illegible]	[illegible]
2	5-15 years (22)	155.52	+0.10	155.37	[illegible]	[illegible]
3	Over 15 years (9)	175.45	+0.17	175.15	[illegible]	[illegible]
4	Irredeemables (6)	207.48	+1.14	205.14	[illegible]	[illegible]
5	All stocks (62)	161.13	+0.10	150.98	[illegible]	[illegible]
	Index-Linked					
6	Up to 5 years (2)	187.17	+0.07	187.05	[illegible]	[illegible]
7	Over 5 years (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	All stocks (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Debs & Loans (66)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS

[illegible]

COMPANY NEWS: UK

Move with Robertson & Baxter ends active week

GrandMet in £84m bid for Scottish distillery

By Philip Rawstorne

GRAND Metropolitan ended a week of hyperactivity yesterday by combining with Robertson & Baxter, one of Scotland's largest private companies, in a recommended offer for North British Distillery which values the Edinburgh-based grain whisky distiller at £84m.

GrandMet's move follows the appointment of Mr George Bull as chief executive, the restructuring of its North American food and eyecare businesses, the sale of its Chef & Brewer pubs, and the acquisition of Glen Ellen wines in the US, all within the last seven days.

The offer is being made through Lothian Distillers, a new company jointly owned by IDV, GrandMet's drinks division, and R&B.

The partners already hold 38 per cent of North British and together buy 60 per cent of its output. Its grain whisky is used in blending IDV's J&B brand, and for Famous Grouse and Cutty Sark, which R&B blends respectively for Highland Distilleries, one of its shareholders, and Berry Bros & Rudd.

Mr James Bruxner, chairman of J&B, said yesterday: "This joint venture is the best means of safeguarding the long term viability of North British in a highly competitive market."

The move would ensure continuity of supply for the partners' brands and enable North British to develop as a supplier to the rest of the Scotch whisky industry, he said.

North British, established last century by a consortium of wholesale whisky merchants, has 600 shareholders. They are being offered £9 cash for each share, including a special dividend of £3, or £8 in 7 per cent loan notes plus the dividend.

The company, which accounts for about 12.5 per cent of the industry's capacity, last year made profits of £9.8m on sales of £31.3m.

Grain whisky prices have been under pressure because of surplus stocks in the industry and production generally has been cut back. Guinness closed the smallest of its three grain distilleries, at Cambus, earlier this year.

Bass says tax change would cost it £6m

By Philip Rawstorne

MR IAN PROSSER, chairman and chief executive of Bass, said yesterday that the change to end-product taxation of beer would reduce profits by £6m this year and £18m in 1994.

The impact of the tax changes, already the subject of bitter dispute between brewers and Customs & Excise, was disclosed to City analysts in Burton-on-Trent yesterday.

Mr Prosser reported that trading during the past four months had confirmed a slow recovery in sales that would bring only limited benefits in the second half of the year.

"In the near term, I see price-driven revenue growth in UK brewing hard to come by in a low inflationary environment, particularly while excess capacity persists."

Bass Brewers had increased volumes by 0.5 per cent in a market estimated to have fallen 2 per cent. Strong growth was achieved in the free trade, with volumes ahead 5.3 per cent while deliveries to the take-home trade increased 3.5 per cent. An extra £83m net had been invested in free trade loans. A slight improvement in bad debts would result in a second half charge lower than the first half provision of £19m.

Bass pubs' revenue was 1.1 per cent lower but the introduction of catering into 1,000 managed houses had raised food sales by 12.3 per cent.

Britvic's profits, hit by bad summer weather and strong competition, would be about 20 per cent lower.

Correction

ACS Data/IBM

TouchPC is a proprietary trade mark of hand held computers, designed, manufactured and marketed by ACS Data and not hy IBM as was incorrectly reported in the Survey articla "Compnting on the Move - Innovation on all fronts" which appeared on September 21.

Trinity Holdings shows 38% rise

By John Griffiths

RAPIDLY expanding exports helped Trinity Holdings, the maker of Dennis and other specialist vehicles which came to the market a year ago, lift interim pre-tax profits by 38 per cent from £3.4m to £4.7m.

The figure, achieved on sales 27 per cent higher at £62.7m, maintains an improving trend first set in train hy a management buy-out led by current chairman and chief executive Mr Geoff Hollyhead in 1989. Earnings per share were 12.4p, against 10.8p last time.

Mr Hollyhead, reporting first-half export sales 71 per cent higher at £26.3m, yesterday held out the prospect of further increased sales in the second half as a £38m contract for its Duple (Metsec) subsidiary to supply 2,500 hus bodies to Sri Lanka gains momentum.

Yesterday's declaration of a first post-flotation interim dividend of 2p, against nil last year, also comes just a few days after the return of senior Trinity executives from Malaysia, where they signed agreements for a bus-making joint venture during Mr John Major's trade-boosting visit to the Asian state.

Geoff Hollyhead: export sales expected to increase in second half

The venture is with UMW, a Malaysian industrial group which has an annual turnover of some £500m and produces a variety of road, rail and heavy equipment vehicles.

Mr Hollyhead said yesterday it would result in exports of about 100 UK-supplied bus kits next year, with a potential of about 1,000 units a year towards the end of the decade.

Initially the buses will be assembled from kits produced by Trinity's UK operating companies – chassis manufacturer Dennis Specialist Vehicles, and Duple (Metsec), which makes bus bodies.

Howaver, local component content will be increased over the next few years as Malaysia's emerging motor components industry establishes itself more firmly.

In this year's first half Trinity's operating companies produced 1,533 bodies and chassis, comparad with 1,229 in the same period last year. This was in spite of continuing depressed conditions in the UK bus and specialist vehicle market.

The number of employees rose by 14 per cent in the first half, to about 1,300. By the end of this year another 10 per cent rise is expected to cope with lengthening order books. Mr Hollyhead said the current £75m is double that of the year-ago period.

A £1.57m tax bill (£1.19m) left net profit at £3.18m, compared with £2.23m last year.

Trinity envisages using the Malaysian operation as a manufacturing base to seek wider markets in the Asia Pacific region.

It is taking a maximum-allowed 35 per cent equity stake in the venture, which is being capitalised initially at £20m, half in equity with the remainder in loans.

Trinity is based at Warwick and has plants at Worcester, Halifax, Tipton and Guildford.

Tomorrows Leisure in the red

By Chris Tighe

TOMORROWS LEISURE, the USM-quoted hotels and leisure company based in Newcastle upon Tyne, reported pre-tax losses of £5.8m for the year to March 31 compared with restated profits of £775,000.

Turnover rose to £9.7m (£7.5m).

The group also announced that a revaluation of many of its main assets had resulted in the value of Pleasure Island, its indoor leisure park in Liverpool, dropping from £24.5m to £7m. Overall, group net assets hava fallen from £30.4m to £4.8m.

The pre-tax loss includes £3.1m in asset value write-downs, as well as Pleasure Island's start up and initial trading losses.

The group said a policy of writing-off all revenue expenditure on the opening of new developments in the yaar it was incurred had added to losses.

Last year's results have been similarly restated.

Losses per share were 45.5p (6.9p earnings) and no final dividend (1.375p) is proposed.

The company is negotiating with Barclays, its bankers, to secure thair continuing support. Mr John Sanderson, chairman and founder, said the £375,000 loan he made to Tomorrows Leisure this summer, to secure Barclays' continuing support, indicated his confidence in the company. Debt stands at about £15m.

The current year, he said, would be one of consolidation and rationalisation, with disposal of non-core husinesses.

Huntleigh up 29% to £3.03m

By Richard Gourlay

HUNTLEIGH Technology, the maker of medical control systems, increased first half profits hy 29 per cent on a 25 per cent rise in sales.

Pre-tax profits in the six months to June 30 rose from £2.35m to £3.03m oo turnover higher at £16.3m (£13m).

Earnings per share rose 31 per cent to 7.45p (5.67p). The directors are recommending a 50 per cent increase in the interim dividend to 2p (1.39p).

The UK side expanded to account for about 23 per cent of group sales, up from 18 per cent for the same period last year, following an expansion of the range of equipment now available through its 12 rental centres.

Three years ago the UK accounted for only 10 per cent of sales.

Mr Rolf Schild, chairman, said the recently announced healthcare reforms in the US were likely to lead to wider coverage of the population and should benefit the US subsidiaries.

The group had net cash of £2.2m before the £2m cost of purchasing a new warehouse and office building in Luton.

FT-SE decision on enhanced scrips

The following notice was issued by the FT-SE Actuaries UK Indices Committee yesterday

The committee met to consider the treatment of enhanced scrip dividends in the FT-SE Indices.

The Committee has decided to consult more widely on the preferred mathod of treating enhanced scrip dividends and the timing of any change prior to taking a decision. No retrospective changes to the treatment of enhanced scrip dividends are planned.

A working party of practitioners, set up in June, has recommended that enhanced scrip dividends should be treated in the indices as a capital gain rather than as income. The UK Indices Committee recognises that such a change may have accounting implications for institutional investors and fund managers as well as affecting the pricing of futures and options contracts.

Notes

An enhanced scrip dividend (ESD) is an issue of shares instead of the cash dividend at the option of the shareholder. The share alternatives being offered have been worth significantly more than the cash dividend which has resulted in the vast majority of shareholders opting to take the share alternatives.

The existing practice largely ignores ESDs treating them as normal cash dividends and making subsequent capitalisation adjustments for the scrip issue after the take up and listing of the new stock which normally occurs on the pay date.

The working party has proposed that in all cases where the share alternative is worth more than the dividend, the enhanced scrip dividend should be treated as a capitalisation change and implemented on the xd date assuming a 100 per cent take up of the scrip. The terms of the capitalisation change should be calculated using the published amount of the enhanced scrip dividend and shares-in-issue immediately prior to the xd date. An adjustment for any stock not taken up will be made on the pay date. The xd adjustment should be zero as it assumes a 100 per cent take up of the scrip.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Atlas Convert	int	7†	Nov 19	7	-	22
Eleco	fin	nil	-	1	nil	3.3
Forte	int	2.75	Nov 26	2.75	-	7.5
Helical Bar	int	2.5†	Oct 29	2.4	-	4.8
Huntleigh Tech §	int	2	Nov 1	1.33*	-	3.33*
Lendu	fin	0.5‡	Nov 19	0.3	0.5	0.3
Redland	int	8.25	Nov 25	8.25	-	25
Rutland	int	0.27	Nov 29	0.27	-	0.8
Sherwood	int	1†	Nov 22	0.9	-	2.6
Sykes-Pickavant§	int	1.33	Dec 31	2.25	-	4
Symonds Eng	fin	nil	-	0.7	0.15	1
Thorpe (FW)	fin	1.87	Nov 19	1.7	2.67	2.5
Tomorrows Leis §	fin	nil	-	1.375	nil	1.375
Trinity Holdings	int	2	Feb 4	-	-	1.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. *Adjusted for scrip issue. ‡For 18 months.

MONTHLY AVERAGES OF STOCK INDICES

	September	August	July	June
FT-SE Actuaries Indices				
100 Index	3028.1	3019.3	2850.7	2874.7
Mid 250	3450.2	3441.3	3228.5	3206.9
350 Share	1517.8	1513.5	1426.9	1434.0
Industrial Group	1526.81	1518.58	1430.61	1445.43
500 Share	1623.43	1614.52	1521.62	1539.22
Financial Group	1130.84	1130.74	1074.45	1046.34
All-Share	1505.06	1496.55	1413.36	1419.94
Eurotrack 100	1279.00	1264.68	1226.39	1183.38
Eurotrack 200	1358.56	1365.85	1280.39	1237.69
FT Indices				
Government Securities	101.97	101.35	98.10	95.90
Fixed Interest	123.75	122.70	118.75	112.70
Ordinary	2348.4	2371.0	2242.4	2249.2
Gold Mines	171.2	205.5	225.2	186.1
SEAQ Bargains(5.00pm)	29,485	35,713	28,485	28,484

	Highest Close Sep	Lowest Close Sep
FT-SE 100	3085.1 (1st)	2983.4 (15th)
FT-SE Mid 250	3495.7 (1st)	3421.2 (16th)
FT-SE 350	1544.4 (1st)	1500.2 (15th)
FT-A All Share	1530.09 (1st)	1488.64 (15th)
Ordinary	2403.1 (1st)	2309.1 (24th)

COMPANY NEWS: UK

Proceeds will help to reduce housebuilder's debt

Buy-out at McCarthy & Stone management arm

By Roland Adburgham, Wales and West Correspondent

MCCARTHY & STONE, the Bournemouth-based housebuilder specialising in retirement housing schemes, is disposing of Peverel, its management company, in a £30.7m management buy-out.

The company, which incurred a pre-tax loss of nearly £20m in the year to August 31 1992, will be using the proceeds to reduce its £50m bank borrowings by £20m and to fund new development.

Peverel manages about 17,000 retirement flats and houses in more than 400 private developments, mostly built by McCarthy. It will retain the McCarthy management contracts and its freehold and leasehold interests.

The buy-out, led by Mr Nigel Bannister, Peverel's managing director, is mostly equity-financed by Electra, the investment institution, with some debt financing from Bank of Scotland and 5 per cent from the management team.

Peverel made a £3.7m pre-tax profit in the year to August 1992 and had a net asset value of £5.1m.

McCarthy's sales have dropped from 2,600 units a year before the recession to about 1,000, although Mr John McCarthy, chairman, said yesterday it was now seeing an improvement.

"It is the right time to reinvest in land and in our core business and to realise a non-performing asset – the freeholds and leaseholds," he said. The disposal of Peverel would also end, he said, what some saw as a conflict between the roles of developer and manager.

Peverel was originally an estate agency acquired by McCarthy in 1982, the year that the parent company was floated on the stock market. It is retaining its existing management team and staff and will be seeking to expand by winning other management contracts.

NEWS DIGEST

FW Thorpe drops 9% to £1.66m

AFTER CONTINUED capital investment in Compact Lighting, pre-tax profits of FW Thorpe, the manufacturer of lighting equipment, fell by 9 per cent, from £1.83m to £1.66m, in the year to end-June.

Turnover, however, increased from £14.7m to £16.1m. At the operating level profits fell to £1.5m (£1.62m).

The pre-tax outcome was struck after interest receivable of £251,000 (£216,000) and an increased share of losses of an associated undertaking amounting to £57,000 (£49,000).

Earnings per share came out at 8.6p (9.7p) and an improved final of 1.87p (1.7p) raises the total to 2.67p (2.5p).

Waterglade

Waterglade International, the property developer, reported a pre-tax loss of £4.09m for the year to March, against a loss last time of £5.24m before a £13.26m property provision.

Turnover dropped to £9.56m (£24.6m) and net rents receivable to £1.6m (£1.73m). Losses per share were 16.1p (84.5p).

The company has changed its year end to May 31 and a fuller report will accompany those figures shortly. Progress on the fund raising exercise announced in August has been slower than expected, the company said.

Richmond Oil

Shares in Richmond Oil and Gas were yesterday suspended at 4½p. The struggling natural resources company said it had received an approach from a third party which may lead to the sale of its principal asset.

Pending the outcome, it has postponed publication of its results for the year to March.

Share dealings and transactions relating to Richmond around the time of its 1989 flotation are under investigation by the Serious Fraud Office.

APV

APV is to sell its 82.5 per cent stake in Ortmann and Herbst, a German maker of bottle filling and washing equipment, for DM76.1m (£30.4m) net of repayment of DM7.4m of intra-group loans due to O&H. The buyer is Max Kettner Verpackungsmaschinenfabrik.

APV bought its initial stake in O&H in 1989 for £4m as its first move into that sector of process equipment for the food and drink industry.

Intl Comm

PSB Group, the directing marketing company, has acquired a further 500,000 shares in International Communication and Data.

The seller was Mr G Thain, a founder of ICD, and Checksolo. They also sold warrants to PSB for a further 931,392 shares.

PSB said it intends to requisition an EGM to replace three ICB directors with three of its own nominees and to seek control of ICD.

Palmerston

Shares in Palmerston Holdings were suspended at 10p yesterday pending publication of the company's results for the year to end-March.

The lossmaking property group is still proceeding with the CVA as previously announced, and talks with its bankers and a potential investor are continuing.

Sykes-Pickavant

Sykes-Pickavant Group, the USM-quoted maker of hand tools and diagnostic equipment, announced a drop in pre-tax profits from £402,000 to £91,000 for the half year to June 30.

Mr Ray Way, chairman, said the main event at the Lytham site had been the introduction of a new integrated computer system. He said that "significant teething problems" were now over and that as a result the first half was made up of a loss in the first quarter offset by a profit in the second.

The interim dividend, which is cut to 1.33p (2.25p), is uncovered by earnings of 0.58p (2.75p) per share.

The shares fell 8p to 55p.

Welpac

On turnover up from £7.73m to £10.3m, Welpac, the hardware and gardening products maker, cut pre-tax losses from £1.38m to £138,000 in the six months to July 31.

After a profitable first four months trading, directors explained that June and July were "disappointing". They added, however, that the group had enjoyed improved trading for the first two months of the second half.

Turnover included £234,000 from discontinued operations which incurred £139,000 losses. There was an overall operating profit of £128,000 (£1.08m losses) but interest charges took £266,000 (£298,000).

Losses per share were 0.5p compared with 5.6p.

Schroder Split Fund

The net asset value per capital share of the Schroder Split Fund stood at 80.93p at the six months ended July 31, an 11.6 per cent increase on the 72.5p at March 11 this year.

The split capital trust, launched in February, declared a second interim dividend of 1.6875p per income share making 3.375p to date, payable from earnings of 3.95p.

Directors have indicated their intention to pay four dividends a year in approximately equal amounts and a pay-out of not less than 6.75p is anticipated for the year.

Markheath losses at £69m after provisions

By David Blackwell

MARKHEATH, the property group controlled in effect by Adelaide Steamship, the Australian company, and its associates, incurred an increased pre-tax loss of £68.8m for the year ended March 31, against £22.7m.

During March Markheath entered a standstill agreement with its banks, which are continuing to provide credit facilities. Mr Michael Rendle, chairman, said yesterday that the group was still talking with the banks about a financial restructuring, which he hoped would take place "as soon as possible".

The loss was after charging £57.9m (£15.5m) for provisions against the carrying value of properties and a provision of £5m (nil) against the amount owed by an associate.

Turnover was £4.17m (£4.25m). Losses per share came out at 55.29p, compared with 18.66p. There is no dividend.

Markheath, which cut its staff from 40 to 10 over the year, said its priorities were the reduction of borrowings and overheads and the securing of pre-lets at its main development sites in Stevenage and Brentford. These accounted for £43.3m of the total property provisions.

Net liabilities at the end of the period totalled £12.5m or 10.2p a share, compared with net assets of £55m or 45.1p a share at the beginning of the year.

Net borrowings were £67m (£72.9m). Interest payable advanced to £5.77m (£2.37m).

The shares closed unchanged at 8p.

Betacom back in black with £0.5m

By Paul Taylor

BETACOM, the telephone equipment supplier which is now 66 per cent owned by Amstrad, the consumer electronics group, reported a return to profit in the year to June 30.

The company, which has reorganised its operations and capital structure in the past year, announced pre-tax profits of £500,000 in the 12 months to June 30 compared with a £3.5m loss in the six months to June 30 1992. Last year the company changed its year end from December 31 to June 30.

Turnover from continuing operations was £12.1m for the year, compared with £4.25m in the preceding six months, and the group reported a small £57,000 operating profit compared with a £3.52m loss.

Profits were further boosted in the full year by a £213,000 profit on the sale of joint venture investments in Germany and the Netherlands, and £246,000 in net interest receivable.

Earnings per share of 0.89p compared with losses of 12.38p in the 1992 six month period. There is no dividend.

Mr Ken Ashcroft, Amstrad's former corporate finance director who was appointed Betacom's chairman in July last year, said the year had been "one of consolidation" during which the group eliminated its peripheral business to concentrate all its resources "on improving our core business in consumer telephones and communications products in the UK."

In the UK Mr Ashcroft said Betacom "disposed of significant quantities of slow moving products resulting in a much better mix of inventory at the year end," and will be releasing a number of new products this autumn.

The group, which has also restructured its banking facilities, ended the year with net cash of £3.2m compared with an overdraft of £2.8m a year earlier.

Bayer to license Celltech antibody

By Richard Gourlay

BAYER, the German pharmaceuticals group, has exercised an option to license a new genetically engineered human antibody being development by Celltech Group, the Berkshire-based biotechnology company planning to seek a UK listing.

The move means Celltech has received £4m of milestone payments to add to the £4m it already has from Bayer.

The Celltech antibody, CDP571, is in phase two of clinical trials in seven European centres. It is designed to block the action of Tumour Necrosis Factor which is produced by the body's immune system and appears to be a key factor in the development of life threatening septic shock. This condition leads to rapidly falling blood pressure and failure of a number of the body's organs.

Celltech has also begun a phase two study in rheumatoid arthritis patients whose joints can display abnormally high concentrations of TNF.

Celltech said Bayer had been encouraged by findings from studies of septic shock patients using its own mouse antibody, now in phase three of clinical trials.

Celltech's development of a human antibody will be one to two years behind the mouse antibody. But if successful it should be more effective and less prone to attack by the body's immune system.

Celltech also believes success for Bayer's septic shock antibody will increase the chances of success for its CDP571 antibody. "If Bayer makes it to registration it is likely our product will do at least as well," said Mr Peter Fellner, chief executive. The exercising of the option confirmed the two companies' confidence in Celltech's new antibody, he said.

Bayer's option allows it to license Celltech's anti-TNF antibody for all clinical indications and to pursue later phase development in collaboration with Celltech. Mr Horst Meyer, head of Bayer Pharma, was optimistic that joint products would be successfully developed with Celltech "in the foreseeable future".

Manchester City leaps 68%

MR Peter Swales, who is currently embroiled in an increasingly acrimonious battle for control of Manchester City, said yesterday that no formal proposals had been received regarding an offer for the Premier league club.

Mr Swales, chairman of the club, had earlier claimed that other unnamed buyers were keen to acquire the club in opposition to the consortium set up by Mr Francis Lee, a former player.

The statement accompanied the club's results for the 12 months to May 31 which showed pre-tax profits ahead 68 per cent from £632,000 to £1.06m. Turnover increased from £6.97m to £10.1m.

The outcome was struck after net expenditure on players of £1.2m (£200,000). Net assets amounted to £3.8m (£2.8m) although the figure takes no account of any valuation of the players or the full value of the stadium.

The shares are dealt under Rule 535.2.

Buy-out at Royal Bank arm

By Andrew Jack

THE ROYAL Bank of Scotland yesterday announced that it had agreed to a management buy-out of the private client business of Charterhouse Tilney, its stockbroking arm.

The new company, to be called Tilney & Co, will be bought for about £5.5m cash, to be based on an adjusted net asset value at completion.

The chief executive will be Mr John Mitchell, who is currently managing director of Tilney. It has more than 35,000 clients, 350 staff in nine offices and £3.8bn under management.

A 90.1 per cent stake in Charterhouse Tilney is being sold to Credit Commercial de France and Berliner Handels-und-Frankfurter Bank, as announced in July. It will be called Charterhouse Tilney Securities.

Both sales are in line with the Royal Bank's strategy of focusing on its core commercial banking and insurance businesses.

CONTRACTS & TENDERS

COMPANY NEWS: UK

Proposals include possible disposal of power transmission business

Fenner launches £17.4m rights

By Andrew Baxter

FENNER, the Hull-based industrial products group, yesterday announced plans to raise about £17.4m through a 1-for-2 rights issue at 80p, and revealed it was discussing the possible sale of its principle power transmission components business.

The announcement marks the first significant move by the new management team at Fenner, following the retirement of Mr Peter Barker earlier this year after 11 years as chairman.

Mr Colin Cooke, chairman of Triplex Lloyd, was appointed non-executive chairman in June, and Mr Julian Bigden became group managing director in February.

Now Fenner is joining the long list of UK engineering companies to consider severing links with its past by withdrawing from a relatively low-margin business so that it can invest in its higher-margin products and become, like TI Group, an international "specialist engineering" concern.

Shares in Fenner jumped 14p to 100p as the market responded warmly to a lengthy statement from the company detailing the proposed changes and recent financial performance. The main points are:

● Following an approach, Fenner is holding discussions with a potential purchaser for the power transmission business. These are at a preliminary stage, and the outcome is unlikely to be known until the end of this calendar year. The division will report an operating loss of about £1.8m for the year ended August 31, but was trading profitably in the second half.

● A rights issue is proposed of up to 23.2m new shares at a price of 80p each. This is underwritten by Morgan Grenfell and European Strategic Investors Holding.

● ESIH, which is advised by Arlington Capital Management, will assist in the formulation of group strategy and subscribe for 2.18m ordinary shares at a 5 per cent premium to the average of the middle market closing prices from yesterday until October 18. The subscription price will not be less than 86.3p and will raise a further £1.88m at least.

● Operating profit (before exceptional items) was about £9.6m in the year ended August 31, down from £11.3m. Turnover edged up from £197m to £202m and pre-tax profit dropped from £5.5m to about £300,000.

● The board has concluded that the payment of dividends is "inappropriate at this stage." In the absence of unforeseen circumstances, a resumed payout is expected for the current year to August 31 1994.

Mr Cooke said the power transmission business – which had sales of £71m in the year ended August and 1,200 employees – was too dependent on the UK's shrinking engineering and manufacturing base. Attempts to increase continental European sales had been hampered by the recession.

The £19.3m raised from the proposed rights issue and share subscription would give Fenner the opportunity to extend its fluid power and polymers product ranges; develop export markets and new products in the conveyor belting division; reduce debt; take further management action in the power transmission business, and "assess any offer received against a background of financial strength."

Trevor Humphries

Colin Cooke: proceeds will be for expansion and to reduce debt

Rutland Trust ahead at £3.6m

By David Blackwell

PRE-TAX profits of Rutland Trust, the financial services and property surveying group, edged ahead from £3.5m to £3.6m in the six months to end-June.

However, earnings per share rose by 11 per cent to 0.93p (0.84p).

Mr Michael Langdon, chief executive, described the results as "satisfactory".

The first half in the head office/corporate finance division was "particularly active". Its pre-tax profits rose by 10 per cent to £704,000 (£639,000).

In addition to its normal corporate finance work, the division was closely involved in the acquisition in August of Ben Shaws, a Yorkshire-based soft drinks maker, for £5.7m.

Rutland believes it has the financial skills to develop the acquisition as a separate business within the group.

Mr Langdon said that Capital Industries, in which Rutland has a 42.6 per cent interest, had been transformed by the acquisition in September last year of Samuel Jones, a specialist manufacturer of sticky labels.

This had led to a near-threefold rise in Capital Industries' shares, leaving Rutland with an investment worth £20m but on the books at £7m. He would not be drawn on when the group would take its profits.

Pre-tax profits in the asset financing division, which is involved in vehicle contract hire, fell 40 per cent, from £892,000 to £536,000. Mr Langdon said he expected a similar result in the second half. The division's pre-tax outcome for 1992 was £858,000.

Profits from professional services were ahead nearly 20 per cent, from £2m to £2.4m. Ellis & Buckle, the loss adjusting business which forms the bulk of the division, maintained its profitability in a more difficult market, Mr Langdon said. Hunter & Partners, the architectural and building surveying practice, had moved into the black, reflecting an improved economic environment.

Group turnover rose from £46.4m to £50.5m. The interim dividend is maintained at 0.27p.

NEWS DIGEST

Atlas Conv Equip falls to £1.38m

SHARES IN Atlas Converting Equipment fell 147p to 533p yesterday after the engineering equipment group reported a fall in pre-tax profits from £2.27m to £1.38m in the first half of 1993.

Mr Christopher Rogers, chairman, said difficult trading had continued throughout the first half. The increase in orders experienced at the time of announcement of the 1992 results in April was not sustained.

The Far East sales office was experiencing a good level of enquiries and there were signs that North American customers were considering further investment although it was the beginning of the cycle. Demand in Europe for capital equipment was low with no signs of improvement.

He added that margins remained under pressure.

Turnover was £19.1m (£20.6m). Earnings per share fell to 10.01p (17.6p), taking account of the £11m rights issue in May. The interim dividend is maintained at 7p.

Symonds

Following its brief success in winning new orders earlier in the year, a significant downturn in the second half left Symonds Engineering with a pre-tax deficit of £611,000 for the year to end-March.

The outcome at this Hertfordshire-based engineer compared with a profit of £156,000 last time and came from turnover down by £890,000 to £4.38m. The pre-tax figure was further depressed by reorganisation costs of £115,000.

During the past few months a strategic review of the business had been completed. As a result of this a number of redundancies had been made and operational changes instigated, the directors said.

Losses per share were 4.693p (1.102p earnings). There is no final dividend proposed, leaving the total for the year at 0.15p against 1p.

Tuskar Resources

Tuskar Resources, the Dublin-based oil and gas exploration company, cut its pre-tax loss from I£30.6m to I£2.2m (£2.07m) in the year to March 31.

During the year the company said it had undergone a transformation. It also avoided being taken over by Aminex.

It sold its interest in Coplex Agreements, incurring a cost of I£1.04m and there were reorganisation costs of I£549,000. In the previous year there was a loss on the sale of its Colombian interests of I£27m.

Courtyard Leisure

Courtyard Leisure, the wine bar and restaurant operator, reported increased losses of £578,000 for the year to March 31, against £285,000. The result was struck after a provision of £195,000 against the loss on the sale of a wine bar.

Turnover was £2.22m (£1.9m). Losses per share were 5.4p (3.1p).

Mr Ali Safa, chairman, said that trading was difficult. Turnover increased because of the acquisition of a wine bar in the City but its performance was hit by the bombing of the nearby Baltic Exchange.

Baillie Giff Tech

Baillie Gifford Technology yesterday announced that it had received an approach which "may or may not lead to an offer" for the company.

Directors said that it was likely that the offer would be pitched at a price below the current level. Nevertheless, the shares rose 2p to 16p.

Lendu

Lendu Holdings, the Kent-based group which is involved in irrigated cotton and dryland farming activities in the eastern states of Australia, achieved pre-tax profits of £1.15m for the 18 months ended June 30. Profits for the 1991 year were £51,000.

The change in the year end was to coincide with the cropping cycle of cotton, the company said, and the results include two crops.

In addition, there were a number of exceptional items totalling £1.07m, including a gain of £31,000 on the sale of the wool and cereal farms in western Australia and £860,000 from the sale of Lendu Rubber Estates.

In March, Oonavale, a 9,029-hectare property in eastern Australia, adjacent to the Gubbagunyah property, was acquired and a total of 850 hectares were ready to be planted for the 1993-94 season.

Turnover for the 18 months amounted to £1.95m, with £1.4m from continuing operations, against £525,000 for 1991 with £27,000 from continuing operations. Operating profits from continuing operations were £266,000 (£112,000 losses).

Earnings per share worked through at 8.68p (0.51p) and a dividend of 0.5p (0.3p) is proposed.

Storm

Storm Group, the animation, licensing and merchandising company, returned to the black with a pre-tax profit of £102,000 for the first six months of 1993.

That compared with a deficit of £1.13m, incurred after a £1.54m write-off in respect of film costs.

Because of the absence of any sales of completed animation productions to the ITV network, turnover for the first half was down from £4.05m to £1.78m. The pre-tax figure was after interest charged of £73,000 (£6,000 received).

Earnings per share were 0.14p (1.49p losses).

F&C US Smaller

Foreign & Colonial US Smaller Companies lifted net asset value by 2.2 per cent over the first six months of its life.

The figure at June 30 was 98.6p per share, or with warrants exercised, 98.9p, against an initial value of 96.5p.

Net revenue amounted to £244,000, equivalent to earnings of 0.49p per share.

Helical Bar

After a significant reduction in the interest charge, Helical Bar, the property group, reported a 76 per cent advance in pre-tax profits from £1.27m to £2.22m for the half year to July 31.

Turnover fell from £15m to £10.9m. At the operating level profits were down 35 per cent to £4.58m.

Over the past 18 months the group has made substantial sales, thereby reducing borrowings, directors said. As a result gross rentals were lower at £5.6m (£7m). Net interest payable fell by £3.93m to £2.62m.

Earnings per share worked through at 10.89p (5.01p) and the interim dividend is raised from 2.4p to 2.5p. Directors are forecasting a 20 per cent increase in the total.

JO Walker back in black with £0.16m

JO Walker, the timber importer, reported a return to profits in the six months to June 30. Helped by an exceptional gain of £227,000 on the realisation of an investment, pre-tax profits were £162,000, against losses of £162,000.

Turnover advanced 13 per cent to £7.17m (£6.33m) for operating profits of £15,000, compared with losses of £78,000.

Earnings per share for the six months jcame out at 20.2p (losses 19.2p).

The company said profit margins were under intense pressure resulting from higher cost of raw materials because of sterling's devaluation.

Increased sales behind sharp recovery at French Connection

By Peter Pearse

FRENCH CONNECTION, the clothing wholesaler and retailer 76 per cent owned by Mr Stephen Marks, its chief executive, returned strongly to the black in the six months to July 31.

However, the USM-traded group will not be paying an interim dividend – nor will it pay a final at the year-end.

Mr George Wardale, chairman, said that increased turnover, especially in the US operetion, had been the key to the improved performance – pretax profits were £2m, against losses of £768,000. Group turnover rose to £30.6m (£22.5m).

"All the rubbish is now out of the way," he said, stressing that the group was now refocused on its French Connection and Nicole Farhi brands. Profits this time were unaffected by exceptional charges: last time £1.01m was subtracted from the pre-tax line.

While sales at French Connection Wholesale slipped to £5.1m (£5.3m) and sales at Nicole Farhi Wholesale rose to £3.7m (£3.1m), margins in the UK retail side improved and sales increased by £1m to £8m. There are now six Nicole Farhi and 21 French Connection outlets in the UK – two more of the latter are planned before December.

Sales in the US operations, 50 per cent owned by Mr Michael Axelrod, a director, expanded to £10.8m (£5m). Mr Wardale said this rise, as in the UK, derived from "genuine full price". There are now eight French Connection outlets in the US.

Cashflow from retail sales helped cut borrowings from £5.6m at January to £4.4m at the end of July, though Mr Wardale said that requirements fluctuated throughout the year. Net interest payable fell to £307,000 (£661,000).

Earnings per share emerged at 4.4p (losses 6.3p) after minorities took £431,000 (£76,000).

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 01.10.93 Pool purchase price £/MWh	Final Prices for Trading on [illegible] Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.05	20.50	22.48
0100	18.05	20.15	22.13
0130	18.06	20.15	22.13
0200	20.78	20.15	22.13
0230	20.61	20.15	22.13
0300	18.08	20.16	22.13
0330	18.07	20.15	22.13
0400	18.05	20.15	22.13
0430	18.05	20.16	22.13
0500	18.05	20.15	22.13
0530	18.06	18.06	18.06
0600	18.08	18.07	18.07
0630	18.08	18.08	18.05
0700	24.74	20.58	22.56
0730	26.21	25.32	27.29
0800	32.24	25.13	27.11
0830	32.26	27.20	29.19
0900	32.28	28.35	30.40
0930	32.28	28.57	30.88
1000	32.26	29.09	31.25
1030	27.04	29.22	31.42
1100	37.14	30.95	33.10
1130	31.15	38.12	40.38
1200	37.16	38.18	40.46
1230	37.14	37.97	40.20
1300	27.02	30.63	32.77
1330	26.25	27.35	29.39
1400	25.24	27.21	29.21
1430	25.24	26.01	28.00
1500	25.24	26.00	27.98
1530	25.24	25.33	27.31
1600	25.21	25.33	27.31
1630	25.24	25.34	27.32
1700	30.78	34.92	36.91
1730	30.73	34.92	36.91
1800	30.78	34.90	36.89
1830	27.37	32.72	34.70
1900	32.11	24.32	26.30
1930	38.03	24.32	26.30
2000	38.02	24.32	26.30
2030	26.24	51.34	53.32
2100	25.24	51.34	53.32
2130	25.24	51.34	53.31
2200	24.74	34.90	36.88
2230	24.24	21.84	23.82
2300	23.22	22.13	24.11
2330	21.61	20.68	22.64
0400	20.71	20.66	22.64

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £10.00/MWh becomes 1.000p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) and final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8.30am and 5.15pm Monday to Friday.
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COMPANY NOTICES

COMPANY NEWS: UK

Trevor Humphries

Redland cuts brick stocks

MR ROBERT NAPIER, chairman of Redland, one of Britain's largest prodncers of building materials, said that the group reduced its UK brick stocks by 60m in the first half. The group now had stocks equivalent to two months supply, compared with an industry average of four months.

Overall, UK brick stocks stand at about the 1bn leval, bnt Redland expects demand to increase by about 6 per cent or 7 per cent next year fuelled by the expected recovery in housebuilding.

Brick prices have fallen by between 20 per cent and 25 per cent from their peak. However, Redland said engineering bricks were now showing slight price increase and prices for facing bricks were strong.

Redland, like most other large brick prodncers, has cut its capacity dramatically during the recession. The Redland and Steetley brick businesses bave been fully integrated and capacity has been cut by some 200m bricks.

Eleco deficit amounts to £4.8m

ELECO Holdings, the building products and specialist contracting group, incurred a pretax deficit of £4.82m for tha 12 months to June 30.

The outcome, struck on turnover down from £50.3m to £47.9m, including £453,000 from acquisitions and £1.63m from discontinued operations, compared to losses of £6.08m last time, restated under FRS 3.

Mr Field Walton, the chairman, pointed out that the result for the period was adversely affected by rationalisation and reorganisation costs both in the UK and overseas.

There was an exceptional charge for the 12 months of £1.1m for tbe write-back of goodwill on the disposal of its Ecometal operation and, as announced at tbe interim stage, a provision of £1.37m against costs of discontinuing the property development activities.

Group bank borrowings fell from £15.4m to £11.9m over the year and have since dipped further to about £8.8m.

Losses per share were 15.7p (20p).

BSM sees operating profits of £4.55m

By David Blackwell

BSM GROUP, which is coming to tbe market later tbis month, yesterday forecast operating profits for 1993 of £4.55m in its pathfinder prospectus.

Last year operating profits were £4.11m on turnover of £21m.

The group owns the British School of Motoring, one of the largest franchisers in the UK, with 15 per cent of the driving school market. It operates through 134 branches spread from Aberdeen to Plymoutb, and has 2,000 self-employed instructors.

Pre-tax profits are forecast at £880,000 after payment of interest on debt arising from the £40m management bny-ont of the company in 1990. Mr Paul Massey, chief executive, said yesterday that without the interest payments pre-tax profits wonld be £4.35m.

Money raised in the flotation, which is expected to give the group a market capitalisation of between £40m and £50m, will be used to repay tbe debt and help to fund expansion. "I want to leave the group ungeared on flotation," Mr Massey said.

The prospectus also shows that the group expects a 75 per cent tax charge for 1993. This is a one-off cost, arising mainly from planning measures being taken in relation to capital allowances on tbe tuition vehicle fleet. From 1994 the charge should drop to about 25 per cent.

The new shares will be placed with institutions and offered througb intermediaries. Impact day is on Thursday October 14. The offer closes at noon on October 21. Morgan Grenfell is sponsoring the flotation and James Capel are brokers.

At the time of flotation Morgan Grenfell Development Capital Partners will own 70 per cent of the shares and the family of Sir Anthony Jacobs, the former owner, 20 per cent. Tha balance will be beld by tbe 21-strong management team. No directors are selling any shares.

Sherwood Group shows 5% fall to £7.76m

By Daniel Green

SHERWOOD GROUP, tha socks and lace manufacturer, yesterday reported its first decline in interim profits since its flotation in 1986.

Pre-tax profits fell 5 per cent to £7.76m (£8.18m) for the first six months of 1993.

Mr David Parker, chairman, blamed recession in continental Europe for depressing profit margins on lace sales. Operating profit in lace fsll from £5.59m to £4.64m, while turnover rose from £37m to £39.9m.

The company is increasingly dependent on overseas sales: 48 per cent of total turnover of £69.7m (£66m) now takes place outside the UK.

Nevertheless the interim dividend goes up to 1p (0.9p), a measure of "the board's confidence in the future", said Mr Parker.

Earnings per share fell from 5.3p to 4.8p, partly reflecting the issue of shares for the £19.6m acquisition in May of Lepel, tbe Italian lingerie maker.

Mr Parker said that the acquisition would be earnings enhancing over the full year. Garment sales tend to be substantially higher in the second half and the acquisition would further add to the skewing of sales and profits towards the second half.

Analysts said that pre-tax profits for the full year should be about £21m, beating 1992's £16.9m.

"Wherever we can cut costs, we will," said Mr Parker. "But margins will remain under pressure in tbe second half too."

Some 300 jobs had been cut this year, although another 210 people were taken on with Lepel.

The company is also concentrating on higher margin products. It is reducing production of curtain lace to concentrate on clothing lace using Textronic machines which create a three dimensional fabric.

Investment is falling from an "exceptionally high figure last year" of £11.6m to £9.5m for the full year.

Lloyd's investment fund details released

By Andrew Jack

NOBLE & CO, the Edinburgh-based issuing house, yesterday released details of its fund designed to invest in Lloyd's of London, the insurance market.

In a memorandum, it says it plans to raise £30m which will be invested through two separate but linked or split capital companies from tbe 1994 underwriting year.

The vehicle takes advantage of proposed plans by Lloyd's to introduce corporate capital into the market witbout tbe unlimited liability requirement currently imposed.

Premium Underwriting will be allocated £12m and Premium Trust, a separate company, will receive £18m. The underwriting company will provide an interest-free loan of £11m to the trust. In exchange, the trust will pledge £28m to Lloyd's.

This will allow Premium Underwriting to maintain an initial underwriting capacity of £56m, which will be allocated between up to 40 syndicates. This will be co-ordinated by Wellington Members' Agency, and about one quarter of the underwriting will be to syndicates managed by Wellington's managing agency arm.

Premium Trust will be managed as an investment trust by Martin Currie Investment Management. The minimum investment will be £3,000 and the fund hopes to attract about 30 per cent of the total from individual investors.

The approval of Names to the principle of introducing corporate capital will be songbt at an extraordinary meeting on October 20.

COMMODITIES AND AGRICULTURE

Opec production accord 'best since the Gulf war'

By Robert Corzine

MR DON Etiebet, the Nigerian oil minister, had a simple explanation for the serious mood that pervaded the meeting of the Organisation of Petroleum Exporting Countries, which ended on Wednesday with agreements on a new production and individual country allocations.

"If we had started throwing punches the price would have collapsed to $10 a barrel," he said.

But even that ever-present spectre was not incentive enough to push the 12 delegations into an early deal, or, in the case of Kuwait, to prevent a dramatic display of brinkmanship.

It took direct political intervention by the leaders of Saudi Arabia, Iran and Kuwait, before the delegations agreed to put a cap on Opec production of 24.52m barrels a day for the six months from October to the end of next march. The continuing political support from King Fahd of Saudi Arabia, president Hashemi Rafsanjani of Iran and the Emir of Kuwait might just keep the agreement intact, according to Mr Mehdi Varzi, research director at Kleinwort Benson Securities in London.

"The three heads of state are tied to the accord," he said yesterday. And that made the agreement "the best from a psychological point of view since the end of the Gulf war".

One Gulf Arab delegate in Geneva noted, however, that "you just need self-interest to make this work, not political will", as higher oil prices, and thus higher government revenues, is the key to preventing overproduction.

The Opec ministers began their deliberations last Saturday with the following goals:

● To convince sceptical markets that they could stop the damaging overproduction by members such as Iran and Nigeria that was further undermining already weak oil prices;

● To bring Kuwait back into the production quota mechanism so as to reinforce their control over Opec output;

● And to take the first steps towards the eventual re-inclusion of Iraq within the production ceiling once Baghdad reaches an agreement with the United Nations allowing it to resume oil exports.

The fact that average oil prices have risen by about $1 a barrel in the past week suggests that the ministers have re-established some credibility in the markets, according to Mr Varzi. "The scope for cheating is far less because the agreement addresses some of the concerns."

The new ceiling, just under the estimated present Opec output level of 24.7m barrels a day but above the 23.5m b/d agreed in June, was justified on the grounds that demand traditionally increased in the fourth quarter with the onset of the northern hemisphere winter.

The higher output figure enabled Opec negotiators to offer Iran, probably the biggest recent over-producer, a quota of 3.6m b/d, compared with the previous one of 3.3m b/d. Analysts said the new figure was probably just under Iran's capacity.

Any sign of substantial cheating by an Opec producer could unravel the agreement, according to Mr Vahan Zanoyan, senior director at Petroleum Finance Company in Washington.

The credibility of the accord was enhanced, however, by Saudia Arabia's decision to freeze its output at 8m b/d. That implied an erosion of its market share, a sensitive issue among Opec states.

"This agreement is about dollars and cents, not percentages," explained a Gulf Arab delegate.

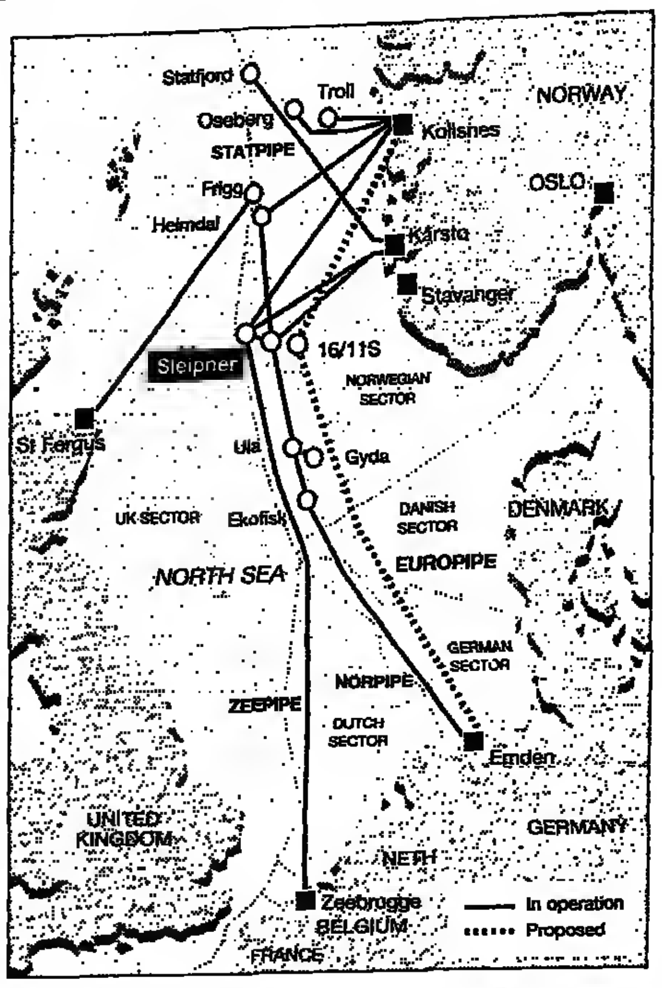
The meeting also succeeded in bringing Kuwait back into the quota system at 2m b/d, compared with its original demand for 2.16m b/d. But Kuwait's insistence that the 2.16m b/d figure should be the base for calculating any future increase in Opec's production ceiling could eventually prove a weak spot in the agreement, according to Mr Mohammed Abdul Jabbar, an economist with the Petroleum Finance Company.

Another doubt concerns future demand levels. Opec believes its ceiling is close to fourth quarter demand for its oil and hopes that a commitment to contain production will have a positive effect on oil stocks held in consuming countries. Mr Varzi agrees that a tight market could develop in January and February, and predicts that prices for Brent blend could go as high as $18 by the end of the year.

The big question mark, however, hangs over Iraq. "With [the return of] Iraq everything changes," Mr Gholamreza Aqazadeh, Iran's oil minister, said yesterday. He conceded that if Iraq stayed outside the agreement, it could just "sell and sell", although he predicted that the country's return was unlikely to take place this year.

North Sea's 'Piccadilly Circus' opens new line

Norway's giant Zeepipe today carries its first consignment of natural gas, writes Robert Corzine



ZEEPIPE HAS none of the romantic resonance of the trans-Alaska or trans-Arabian pipelines. Yet the world's longest offshore gas pipeline, which snakes along the bed of the North Sea for 810km from the Sleipner A production platform, 148km off the Norwegian coast, to Zeebrugge in Belgium, also bears witness to an epic struggle to link remote energy reserves with industrial markets.

Today the pipeline carries the first shipment to be delivered to western Europe under the 1986 Troll gas sales agreements, the largest commercial contract in the history of the petroleum industry. By the time it is fulfilled in 2021 at least 1,000bn cubic metres of gas worth about $100bn at current prices will have been sent to markets in Germany, France, Belgium, the Netherlands, Austria and Spain.

Norwegian offshore workers call the maze of natural gas pipelines that converge near the Sleipner platform the "Piccadilly Circus" of the North Sea. A clear sense of relief can be detected among officials of Statoil, the Norwegian state oil company, which dominates the seven-company consortium, that the gas is even flowing through the complex interchange.

After all, it was only two years ago when the concrete sub-structure upon which the Sleipner platform was to be mounted sank during testing in a fjord near Stavanger. When it hit bottom the shock waves registered at Norway's seismic centre. They also reverberated around Statoil's boardroom, where a decision was quickly made to try to adhere to the original schedule by building a replacement.

"We paid for two but got one" is how Mr Peter Mellbye, head of Statoil's gas division, sums up the accident, the cost of which is still being disputed with the builders of the sunken substructure and with insurers.

Company officials concede that they had no choice but to try to meet the original deadline to reassure customers. Norwegian gas exports, which account for 10 per cent of the European Community market, face a growing commercial threat from Russia, which is keen to expand its 22 per cent share of the EC market by developing its massive reserves in Siberia and elsewhere.

Statoil officials were also aware that the sheer size of the Troll project had raised doubts about its viability. Critics pointed in particular to the NKr130bn (£11bn) capital costs, Norway's reputation as a relatively high-cost producer and the technical challenge of working in the 300m water depths of the Troll field itself.

"I can't say it is one of the most profitable projects ever undertaken," says an executive from one of the consortium members, "but it certainly is one of the largest."

Statoil has also been plagued with problems in overcoming environmental resistance to landing another key pipeline – dubbed Europipe – in Emden, Germany. An existing line, Norpipe, terminates in Emden, which the company insists is the most convenient point to supply Ruhrgas, the biggest buyer under the Troll contracts.

Company officials admit that they were surprised by the scale of local protests over Europipe's potential impact on environmentally sensitive mud flats in the area. They believe it will eventually be approved, although alternatives to Emden are being studied.

Emden has already been eliminated as the terminus for a possible fourth pipeline, which the company says may be needed by the end of the decade.

The focus today, however, is on Zeepipe and the successful development of the Sleipner field, even though it represents only the first stage of the Troll project, which is due to reach its plateau of annual deliveries of 44.7bn cu m in 2005. In addition to Sleipner, gas will be taken from the Statfjord, Heimdal and Gullfaks fields.

Deliveries from Troll itself, western Europe's largest offshore field, containing 50 per cent of Norway's proven gas reserves, are due to start in 1996. And it is the development work on this part of the project that carries some of the biggest risks.

Norske Shell, which has an 8.2 per cent share in the overall Troll project, is developing the field, which it discovered in 1979. A 430m-high platform, capable of withstanding 30m waves and strong currents, is under construction near Stavanger.

It will rank as one of the largest man-made objects ever moved when it is towed out to sea next year.

Original plans to process the gas offshore were dropped, and the untreated gas will be piped to a processing plant 65km away at Kollsnes, near Bergen before being sent through the "Piccadilly Circus" of pipelines at Sleipner for onward transmission to customers.

Shell officials say test transmissions of untreated Troll gas have resulted in higher-than-expected corrosion of the pipes. But they insist that the problem can be controlled and that the project remains on course for the 1996 deadline.

Troll deal set to reshape Europe's gas industry

Karen Fossli on the record-breaking $100bn sales agreement with European buyers

SUPERLATIVES describing Norway's $100bn Troll gas sales agreement can flow effortlessly beyond considered limits. Most agree, however that the deal represents a quantum leap into the future for the seller and European buyers and will alter forever and fundamentally the shape of Europe's gas industry.

After seven years of innovatory, and sometimes frustrating, development preparations, gas under the huge Troll contract coursed its way from 6am today through the Zeepipe to supply Europe with 10 per cent of its gas needs.

Under what is hailed as the largest commercial contract in the history of the petroleum industry, the gas is making its way to a consortium of European gas buyers, initially from the Norwegian North Sea Sleipner field. But from 1996 gas from the giant Troll itself, Europe's biggest offshore gas field, will flow over a period of more than 30 years to Austria, Belgium, France, Germany, the Netherlands and Spain.

Troll sales will expand Norway's market share for gas in Germany to 23 per cent by the year 2000 from 14 per cent now, while in France it will rise to 23 per cent from 17 per cent, in Belgium to 33 per cent from 24 per cent and in the Netherlands to 13 per cent from 7 per cent.

Spain and Austria are new buyers of Norway's gas, taking annual deliveries of 1.5bn and 1bn cubic metres a year respectively.

Deliveries under the Troll agreement are scheduled to reach a peak of 44.7bn cu m a year from 2005, but the deal is forecast to boost Norway's annual gas exports from 25bn cu m – making the country the sixth largest gas exporter – to more than 60bn cu m in 2010. Negotiations already under way could eventually increase supplies to 70bn cu m a year as new domestic offshore gas fields come on stream.

"Towards the next century gas production will be of increasing importance, and it can be said that Norway will turn into a gas nation from being an oil nation," says Mr Finn Kristensen, oil and industry minister.

Norway is Europe's biggest oil producer with average daily output of about 2.3m barrels.

Until 1986 it sold its gas under "depletion" contracts covering the total reserves of a specific field. Frigg field gas has been supplied to Britain under this arrangement for the past 23 years and more than 110bn cu m will have been provided by the time the field runs dry in 1997.

In sharp contrast, Troll gas buyers have signed supply contracts that specify gas deliveries over a set period.

One major issue is the designation of new fields to make up a production capacity shortfall of 10bn cu m of gas already sold under supply contracts – above and beyond the Troll deal. No decision has yet been made on which fields could close this gap as negotiations for further supply quantities move towards agreement.

Statoil, Norway's state oil company, believes future gas sales are unlikely to involve the huge volumes seen in the Troll agreements. "No other Norwegian [gas] field matches the size of the giant Troll reservoir, making typical future contracts of 1bn-1.5bn cu m annually over a period of 15 to 20 years most likely," it says.

Nevertheless, the success of the Troll agreement has served to confound sceptics who for years said it would never come off because of the huge amount of capital required.

Gas and oil prices are closely linked. "When the Troll agreements were signed oil prices were around $8 a barrel compared with a current $15-$16" Statoil points out. "In the interim, the Troll gas price has been renegotiated with German buyers and similar adjustments are under discussion with other customers."

There is an old industry maxim which runs: "in the gas industry you must be very careful to do a good deal. But you must be even more careful not to do *too* good a deal". That is a situation Troll's gas sellers are clearly seeking to avoid as they look for new business.

Raw sugar futures relaunched

By Deborah Hargreaves

THE London Commodity Exchange launches its revamped raw sugar futures contract today amid hopes that the new premium contract will succeed where its previous product failed.

The exchange is taking advantage of widespread disaffection with the contract traded at the Coffee, Sugar and Cocoa Exchange in New York. Traders were angered by a decision in July to allow Brazilian crystal sugar to be delivered against the raw sugar contract.

The LCE has deliberately excluded Brazilian crystal – which many traders doubt should be classed as raw sugar – and Cuban sugar from its new contract. The contract will be denominated in cents a lb rather than dollars a tonne in order to make it more similar to the New York futures contract and thus to facilitate arbitraging between the two markets.

It has also changed the delivery months to fit in more closely with the physical trade in raw sugar. Mr Robin Woodhead, chief executive of the LCE said: "We're very pleased with the levels of support we're seeing, particularly from the trade in the US and the Far East."

The new contract will be traded on-screen alongside the exchange's white sugar futures and Mr Woodhead said the decision to trade it on screen had resulted in two new requests from traders to join the system.

The previous contract had also been traded on screen, but, in an effort to boost liquidity, the exchange moved it to open outcry trading. This failed to increase volume, however, and the contract was delisted earlier this year.

"There are still a lot of pessimistic people out there because they've seen some tough times in recent years trying to get London going," said Mr John Payne, sugar trader at Vitol. But he added that he had seen a lot of demand for the new contract.

"There is a requirement for a safe and secure hedging vehicle which we believe New York is not providing right now," he said.

WORLD COMMODITIES PRICES

MARKET REPORT

The London Metal Exchange **COPPER** market was attempting yesterday afternoon to find a consolidation level after falling earlier to six-year lows. The three months delivery price touched bottom at $1,665 a tonne before being steadied by a short-covering rally and some expected technical buying. But it was still showing a loss on the day of $36 when it ended after hours trading at $1,683.50 a tonne, $89 down from the end of last week. Analysts said the end of the technical squeeze recently meant that the market could no longer ignore oversupply, which would take some time to remedy, as few producers were prepared to cut output. The three months **ZINC** price leapt to a high of $906 a tonne in the morning, encouraged by talk of possible output cuts in North America. But by the close no news had emerged and the price was back at $886 a tonne, down 50 cents on the day. **NICKEL** sentiment remained poor and as latest Russian forecasts suggested this year's production decline would not be as large as originally thought prices slumped to fresh 6¾-year lows. **COFFEE** prices fell further before finding industry and trade support.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$15.19-5.24z	+0.46
Brent Blend (dated)	$17.26-7.28	+0.49
Brent Blend (Nov)	$17.48-7.50	+0.46
W.T.I (1 pm est)	$18.87-8.90z	+0.50
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$186-188	+2
Gas Oil	$179-180	+5
Heavy Fuel Oil	$61-63	+1
Naphtha	$157-159	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$355.25	+3.05
Silver (per troy oz)♣	406.5c	+4.0
Platinum (per troy oz)	$359.25	-1.50
Palladium (per troy oz)	$125.25	+0.50
Copper (US Producer)	85.5c	
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	11.15m	+0.03
Tin (New York)	205.0c	-1.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	121.91p	+0.67*
Sheep (live weight)†♠	80.31p	-1.19*
Pigs (live weight)†	64.40p	-1.36*
London daily sugar (raw)	$253.20	-0.90
London daily sugar (white)	$267.00	+3.00
Tate and Lyle export price	£278.00	-1.00
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120u	
Wheat (US Dark Northern)	£168.5u	
Rubber (Nov)♥	58.00p	
Rubber (Dec)♥	58.25p	
Rubber (KL RSS No 1 Jul)	186.0m	-0.5
Coconut oil (Philippines)§	$415.0v	
Palm Oil (Malaysian)§	$335.0z	
Copra (Philippines)§	$280	
Soyabeans (US)	£180.0u	
Cotton "A" index	55.35c	+0.05
Wooltops (64s Super)	323p	-4

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov v-Nov/Dec u-Oct t-Sep/Oct x-Dec ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low
Dec	277.40	276.30	277.50 274.80
Mar	279.00	278.20	279.20 277.00
May	280.00	279.80	280.80 280.00
Aug	285.00	284.40	285.00 284.10
Oct	277.00	277.20	278.00 276.50
Dec	277.10	278.80	277.70 277.10

Turnover 1231 (729) Paris- White (FFr per tonne): Dec 1549.08 Mar 1579.16

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Nov	17.40	17.35	17.57 17.24
Dec	17.59	17.50	17.73 17.41
Jan	17.69	17.90	17.83 17.56
Feb	17.80	17.70	17.90 17.68
Mar	17.87	17.78	17.90 17.77
Apr	17.89	17.85	17.98 17.89
May	17.85	17.88	18.00 17.95
Jun	18.05	17.98	18.05 18.00
Jul	18.12	18.05	18.12 18.07
IPE Index	17.07	16.64	

Turnover 55042 (69791)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Oct	176.00	170.50	176.25 172.25
Nov	176.75	172.00	176.75 173.25
Dec	178.75	173.00	177.00 174.00
Jan	176.25	173.00	176.25 174.25
Feb	174.50	172.25	175.00 173.50
Mar	174.00	171.00	174.00 172.00
Apr	171.00	169.25	171.00
Jun	166.50	167.00	169.00 167.75
Jul	169.50	167.50	169.50 168.75

Turnover 33590 (16186) lots of 100 tonnes

FRUIT AND VEGETABLES
English and French apples are this week's best buy, reports FFVIB. English Cox's Orange Pippins are 30-55p a lb (35-55p) and French Royal Gala are 35-55p a lb (30-55p). Another good buy is Italian black seeded grapes at 45p-£2.00 a lb (60p-£1.50). English Brussels sprouts are the best vegetable buy at 20-45p a lb (20-60p). English and Dutch leeks are 40-65p a lb (40-65p). Corn-on-the-cob is in peak season, available at 15-30p a cob (20-35p). There is a tremendous variety of tomatoes available, making them the best salad buy. English and Dutch are 45-65p a lb (40-80p), while Spanish and Canary Island ones are 50-60p (50-60p).

COCOA – LCE £/tonne

	Close	Previous	High/Low
Sep	880	885	895 894
Dec	916	922	922 903
Mar	938	945	947 926
May	946	950	952 933
Jul	951	954	956 939
Sep	953	959	959 948
Dec	958	961	959 948
Mar	950	960	965 948
May	951	964	968 950

Turnover: 8865 (17043) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Sep 29 912.57 (911.62) 10 day average for Sep 30 917.01 (914.97)

COFFEE – LCE $/tonne

	Close	Previous	High/Low
Sep	1206	1220	1240 1193
Nov	1176	1186	1195 1164
Jan	1182	1190	1195 1166
Mar	1179	1189	1190 1165
May	1179	1186	1180 1170
Sep	1170	1185	1180 1178

Turnover: 5740 (8289) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Sep 28 Comp. daily 68.48 (70.44) 15 day average 72.33 (72.52)

POTATOES – LCE £/tonne

	Close	Previous	High/Low
Apr	89.9	88.3	90.0 88.5
May	105.0	100.5	102.5

Turnover 133 (181) lots of 20 tonnes.

FREIGHT – LCE $10/index point

	Close	Previous	High/Low
Oct	1450	1440	1452 1445
Nov	1450	1441	1450 1449
Jan	1445	1431	1450 1436
Apr	1455	1445	1460 1455
Oct	1450	1450	1450
BFI	1415	1415	

Turnover 134 (264)

GRAINS – LCE £/tonne

Wheat	Close	Previous	High/Low
Nov	101.65	102.10	101.70 101.40
Jan	102.90	103.15	102.90 102.65
Mar	104.85	105.15	104.90 104.65
May	106.90	107.20	106.95 106.55
Barley	**Close**	**Previous**	**High/Low**
Nov	102.45	102.50	102.45 102.10
Jan	104.50	104.75	104.65
Mar	106.40	106.55	106.35 106.00

Turnover: Wheat 409 (220) Barley 52 (77)

Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 33,887 lots
Cash	1098.5-7	1083-4		1093-4		
3 months	1116.5-7.5	1114-4.5	1118/1111	1113.5-4	1118-8.5	241,275 lots
Copper, Grade A ($ per tonne)						Total daily turnover 104,040lots
Cash	1663.5-4.5	1699-700		1657-8		
3 months	1684.5-5.5	1723-3.5	1716/1663	1677-8	1683.5-4	159,319 lots
Lead ($ per tonne)						Total daily turnover 3,008 lots
Cash	364.5-5	365.5-6.5		363-3.5		
3 months	378-9	380-0.5	379/377	376.5-7	378-9	21,279 lots
Nickel ($ per tonne)						Total daily turnover 7,201 lots
Cash	4041-8	4110-20		4010-2		
3 months	4090-5	4165-70	4150/4040	4060-1	4050-70	46,114 lots
Tin ($ per tonne)						Total daily turnover 1,639 lots
Cash	4400-5	4450-60		4415-25		
3 months	4415-50	4500-5	4485/4440	4465-70	4445-50	10,917 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 12,403 lots
Cash	871.5-2.5	868.5-7.5		882-3		
3 months	888-9	883-3.5	906/883	903-7	895-6	83,486 lots

LME Closing £/$ rate: SPOT: 1.4965 3 months: 1.4871 6 months: 1.4804 9 months: 1.4733

LME AM Official £/$ spot rate 1.5095

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	355.00-355.50	
Opening	353.25-353.75	
Morning fix	352.65	233.543
Afternoon fix	355.50	236.134
Day's high	356.00-356.50	
Day's low	352.30-352.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.74	6 months	2.85
2 months	2.71	12 months	2.80
3 months	2.87		

Silver fix	p/troy oz	US cts equiv
Spot	268.90	403.00
3 months	270.75	406.15
6 months	274.10	409.35
12 months	281.45	418.30

GOLD COINS

	$ price	£ equivalent
Krugerrand	353.00-356.00	233.00-236.00
Maple leaf	364.95-367.30	-
New Sovereign	82.00-85.00	54.00-57.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Feb	Nov	Feb
1100	21	48	14	20
1125	10	34	27	31
1150	4	23	48	45
Copper (Grade A)	**Calls**		**Puts**	
1700	25	58	48	60
1750	10	36	83	89
1800	4	22	126	134
Coffee LCE	**Nov**	**Jan**	**Nov**	**Jan**
1150	63	91	37	59
1200	33	67	63	85
1250	23	49	97	117
Cocoa LCE	**Dec**	**Mar**	**Dec**	**Mar**
875	66	108	19	38
900	51	92	29	47
925	37	76	40	58
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1700	56	-	12	29
1750	23	52	38	50
1800	9	37	68	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	358.1	352.7	356.3	352.5
Nov	356.1	353.7	356.0	355.7
Dec	357.1	354.7	358.8	354.7
Feb	358.6	356.4	359.8	356.5
Apr	360.5	358.0	361.7	358.5
Jun	362.2	359.7	363.8	359.7
Aug	363.9	361.4	0	0
Oct	365.7	363.2	0	0
Dec	367.6	365.1	368.3	364.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	359.4	357.3	362.5	358.0
Nov	363.0	363.0	0	0
Jan	362.2	359.1	365.0	359.0
Apr	363.5	360.4	395.5	362.5
Jul	364.6	361.5	0	0
Oct	366.1	363.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	408.1	401.2	0	0
Nov	408.0	403.3	0	0
Dec	408.2	403.5	410.5	404.0
Jan	409.4	403.8	0	0
Mar	412.3	407.8	414.0	408.0
May	415.1	410.4	415.0	415.0
Jul	417.8	413.0	420.0	417.0
Sep	420.3	415.5	0	0
Dec	424.6	419.7	425.5	426.5
Jan	425.8	420.9	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	74.25	75.45	74.50	74.10
Nov	74.60	76.95	74.60	74.45
Dec	74.90	76.15	75.25	74.30
Jan	75.20	76.45	75.40	74.80
Feb	75.45	76.75	75.25	75.25
Mar	75.75	77.05	76.10	75.30
Apr	76.05	77.35	76.00	76.00
May	76.35	77.65	76.60	75.90
Jun	76.50	77.95	76.50	76.50
Jul	76.90	78.25	77.40	76.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	18.78	18.67	18.95	18.54
Dec	18.91	18.80	19.10	18.70
Jan	18.98	18.88	19.13	18.78
Feb	19.06	18.98	19.20	18.85
Mar	19.08	19.03	19.20	18.96
Apr	19.18	19.10	19.29	19.00
May	19.19	19.17	19.30	19.10
Jun	19.22	19.23	19.33	19.20
Jul	19.30	19.29	19.39	19.22
Aug	19.36	19.35	19.46	19.29

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	58.16	55.42	56.80	55.35
Nov	58.75	56.60	57.40	56.30
Dec	57.50	57.34	56.00	57.00
Jan	57.70	57.59	58.10	57.30
Feb	57.80	57.64	57.80	57.15
Mar	56.50	56.44	58.70	56.04
Apr	55.05	55.24	55.35	54.66
May	54.35	54.08	54.85	54.10
Jun	53.70	53.49	53.90	53.35
Jul	53.70	53.59	53.75	53.55

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1151	1151	1155	1126
Mar	1166	1180	1180	1165
May	1197	1204	1199	1180
Jul	1216	1224	1206	1197
Sep	1229	1252	1229	1215
Dec	1252	1264	1247	1239
Mar	1268	1269	1253	1247
May	1282	1283	1260	1250
Jul	1304	1305	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Latest	Previous	High/Low	
Dec	74.50	75.65	76.95	74.65
Mar	77.00	78.00	79.30	77.00
May	78.75	79.25	80.30	78.75
Jul	79.50	80.50	81.50	79.50
Sep	81.00	81.70	82.80	81.30
Dec	83.00	84.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.49	9.35	9.70	9.32
Mar	10.45	10.29	10.47	10.24
May	10.55	10.43	10.55	10.42
Jul	10.57	10.50	10.57	10.47
Oct	10.57	10.50	10.60	10.50

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	56.85	56.68	56.85	56.20
Dec	58.70	58.31	58.78	58.15
Mar	60.10	59.85	60.20	59.60
May	60.75	60.39	60.75	60.90
Jul	61.33	61.00	61.10	61.10
Oct	61.37	61.25	0	0
Dec	61.60	61.32	61.60	61.40
Mar	62.15	61.80	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	130.05	132.30	131.40	129.50
Jan	130.50	132.40	131.80	130.10
Mar	131.50	133.30	132.30	131.30
May	132.15	133.95	132.90	132.30
Jul	133.00	134.70	132.50	132.50
Sep	134.00	134.10	0	0
Nov	134.00	134.10	0	0
Jan	134.00	134.10	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Sep 30	Sep 29	mnth ago	yr ago
1576.8	1583.2	1628.1	1658.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 29	Sep 28	mnth ago	yr ago
Spot	118.62	118.98	122.79	115.69
Futures	125.15	126.15	126.57	114.72

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	629/6	627/2	807/0	628/4
Jan	636/4	634/0	641/4	635/0
Mar	643/4	640/4	648/4	642/4
May	648/6	645/2	652/2	647/0
Jul	652/0	649/2	657/0	651/4
Aug	652/0	649/0	653/4	650/4
Sep	635/2	631/6	639/4	635/2

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	23.56	23.59	23.93	23.52
Dec	23.69	23.71	23.96	23.60
Jan	23.72	23.75	23.90	23.65
Mar	23.78	23.79	23.95	23.65
May	23.78	23.80	23.95	23.72
Jul	23.65	23.68	23.88	23.65
Aug	23.50	23.90	23.60	23.90
Sep	23.30	23.50	23.40	23.25

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	193.3	192.0	194.3	193.0
Dec	193.4	192.1	194.4	193.0
Jan	194.4	192.9	195.3	194.0
Mar	196.4	195.1	197.2	195.6
May	197.9	196.6	198.9	197.5
Jul	199.6	198.4	200.4	199.5
Aug	200.0	198.1	200.3	199.7
Sep	199.5	198.1	200.0	199.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	244/6	240/6	245/0	242/0
Mar	252/4	248/4	253/0	249/0
May	256/6	253/4	257/6	254/4
Jul	259/6	256/4	260/4	257/6
Sep	254/4	253/2	255/4	253/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	318/6	317/4	321/2	318/2
Mar	322/6	321/6	325/0	322/2
May	319/4	317/2	321/4	318/2
Jul	309/2	309/0	311/0	308/4
Sep	314/0	313/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	73.200	73.025	73.350	73.000
Dec	74.125	73.875	74.350	73.925
Feb	74.800	74.625	74.950	74.600
Apr	76.075	75.850	76.125	75.800
Jun	72.500	72.175	72.550	72.200
Aug	71.125	70.900	71.300	71.200

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	47.125	47.225	47.800	47.000
Dec	47.400	47.250	47.800	47.300
Feb	46.700	46.650	46.975	46.650
Apr	45.150	45.100	45.525	45.100
Jun	50.050	50.150	50.350	49.850
Jul	49.000	49.100	49.350	48.600
Aug	47.550	47.500	47.800	47.250

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	52.200	51.575	52.400	51.050
Mar	52.200	51.400	52.400	50.900
May	52.450	51.700	52.450	51.700
Jul	52.300	51.750	52.300	51.850
Aug	51.675	51.225	51.675	51.250

LONDON STOCK EXCHANGE

Lively trade as third quarter closes

By Terry Byland, UK Stock Market Editor

THE LAST trading session of the third quarter of the year saw UK equities return to the upward trend, although gains were trimmed towards the close by a sell-off in stock index futures. The market was helped along by demand for oil shares on the back of the Opec output agreement. Trading volume was higher but this reflected a good deal of end-of-quarter traffic in non-Footsie stocks.

The day started well, with firmness in the December stock index futures contract helping a market already looking forward to the final quarter of 1993, for which further gains on the Footsie have been predicted by many stock market analysts.

At best, the FT-SE 100 Index was 13 points up at 3,043.5, close to Tuesday's high point of the latest rally. But this proved as far as the market was to go yesterday, and a slow start to the new Wall Street session, which was 5 Dow points off in UK hours, cut into the premium on the futures contract.

In late afternoon the stock market was heading back towards overnight levels, but a final rally took the FT-SE 100 to 3,037.5 for a net rise of 7.4. However, the FT-SE Mid 250, lacking the preponderance of blue chip oil and bank stocks, closed 1.2 easier at 3,433.2.

Seaq volume of 694.8m shares compared with 511.7m in the previous session, with the non-Footsie business increasing its share of the total to around 82 per cent. On Wednesday, retail business was worth £1.31bn, fully maintaining the good business levels achieved in equities.

With many fund managers effectively out of the market as portfolios were wrapped up for presentation to their trustees, there was a slight air of unreality in the market. Traders took a cynical view of intermittent rumours of impending take-over moves in the Footsie list and looked forward to a return to more normal activity on Monday morning.

Today, the first day of the final three months of the year, also brings the close of the current two week equity trading account which has been featured by a generally unimpressive flow of company results. The stock market has also been recovering this week from the shock administered by the dramatic political developments in Russia.

However, the spurt of corporate developments this week, including the £703m deal between Grand Metropolitan and Scottish & Newcastle, as well as the £358m MGN placing, has re-kindled stock market interest on the takeover/acquisition front. Equity strategists have also drawn attention to the evident readingness of the institutions and securities houses to take up rights issues and large lines of stock when they have come on offer.

BP and Shell were responsible between them for about half of the final gain in the Footsie, and the rest of the sector was also strong as crude oil prices continued to firm up behind the Opec agreement to rein in production for six months.

Among domestic stocks, retail and consumer shares showed little confidence in prospects for the base rate cut predicted in some quarters. But bank shares found buyers on hopes that lending business will improve rapidly as recession pressure eases. Gains amoog building stocks reflected a good interim report from Redland.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:	Sep 20	Oct 4	Oct 18
Option Declarations:	Sep 30	Oct 14	Oct 28
Last Dealings:	Oct 1	Oct 15	Oct 29
Account Day:	Oct 11	Oct 26	Nov 8

*New time dealings may take place from two business days earlier.

Forte down on figures

INTERIM results from Forte prompted a series of broker downgrades and sent the shares tumbling 10 to 227p in reasonable turnover of 4.7m. Leisure analysts said they believed the shares to be in for a fairly dull time for the next few months as the hotel group revealed its recovery was proving much slower than had been expected. The shares have run up in recent months as the leisure sector's chief recovery play, but talk of a slower revival saw some brokers yesterday change their recommendations from "buy" to "hold".

Profits came in at the low end of expectations and, together with Forte's cautious outlook, led brokers' forecasts down by some 15 per cent to around £90m. At this level the dividend would be uncovered, prompting further speculation that the group will at some stage launch a long-rumoured rights issue.

Oil issues advance

Improving crude oil prices following Opec's agreement to a six-month output plan provided the spur for yesterday's advance in the oil sector as a whole, with one stock given an additional boost by a clutch of recommendations.

US buyers were said to have been particularly keen buyers and the day's advances included BP, up 8¼ at 334½p in active trade of 15m shares. Shell Transport was another stock favoured by overseas buyers and the shares added 5 at 670p in volume of 3.9m.

Enterprise Oil gained further support from recommendations from SG Warburg and the new oils Team at Nomura which has placed the stock on its buy list. The shares jumped 17 to 458p on volume of 3.7m. Mr Steve Turner at Nomura said, the OPEC meeting was better than expected and the improvement in oil prices was likely to benefit Enterprise, which has underperformed the market by 18 per cent since April on the back of a poor oil price.

Volume in Lasmo jumped to 18m after two cross trades were done at 135.5p and 135.6p. The shares hardened 2 to 145p.

Tate & Lyle hint

Rumours that Tate & Lyle is eyeing the Spanish sugar refiner Ebro were heard and the UK group's shares slipped on fears of a rights issue to pay for the purchase. However, Ebro is entangled in the Kuwait Investment Office's affairs in Spain, which holds soma 36 per cent of the company's shares, and the practicalities of a full bid are unclear.

Ebro holds over 50 per cent of the Spanish sugar market and the Madrid authorities have warned that a majority foreign ownership would be discouraged. The company is thought to have annual profits of around $50m; a full hid would have to he in excess of $300m, according to London analysts. They added that while such a move by Tate's would make a geographical fit, the company has remained out of favour with the market since last month's profits warning end concerns over company strategy.

The fourth announcement in five days from Grand Metropolitan hrought the long-awaited purchase of North British Distillery (NBD), a private supplier of grain for whisky production. GrandMet bought the group in a joint venture involving Highland Distilleries. Brewing analysts said that the move was e good one given the uncertainties in the grain supply market.

In e related development, Remy Cointrean, the French drinks group, is rumoured to have bought part of NBD's 4.8 per cent stake in Highland to take it towards the 10 per cent bolding agreed between the two prodncers. Highland announced after the market bed closed that NBD had disposed of its entire stake, amounting to 6m shares. Highland closed 5 down at 333p. GrandMet rose 3 to 419p.

Hints from Forta at its results meeting that it would not sell Harvester sites where it had adjoining hotels discouraged speculation that Whitbread may be about to bid for the pub and restaurant chain given the brewery group's own hotel interests and ambitions. Allied Lyons was one nams being put forward as an alternative candidate for Harvester, particularly given the chain's concentration in the south-east. Allied shares slipped 3 to 569p and Whitbread 2 to 527p.

Forte's dull results were also said to have undermined Vaux Group, off 2 at 240p, Greenalls, down 10 at 363p, and Ladbroke, 6¼ adrift at 185½p.

Shares in HSBC and Standard Chartered moved sharply forward ahead of a bullish note from Strauss Turnbull due to land on investor's desks today.

The former gained 15 to 716p, while the latter hardened 8 to 944p. Mr John Tyce at Strauss said: "Whilst basically attractive UK banks look dull for the next few months until lending is revived. You get better operating profit growth from these two, along with much faster dividend growth from HSBC this year and from Standared in due course."

However the view from Strauss did little harm to the rest of the sector and Barclays gained 9 to 524p, and National Westminster firmed 5 to 507p, on good volume of 9.5m.

Construction group Redland ended 9p np at 564p after revealing first half profits of £108m against £88.5m. Analysts had expected between £95m-£100m profits. UBS suggested the results reflected "evidence of UK recovery and very strong evidence of US recovery." Optimism was furthered with Redland's international activity where European sales had either been resilient to economic difficulties as in Germany, or excellent overall as in eastern Germany and Holland. Mr Howard Seymour of BZW increased his 1993 profit forecast from £255m to £265m and felt that "future strategy seemed very sound".

Activity in chemicals again remained dull, BOC Gronp fell 1p to 627p and ICI edged up 3p to 716p.

GKN was a weak feature, falling 8p to 460p, hut Mr Harry Phillips at Panmure Gordon believes the shares are a strong buy since being a motor components firm, it was Ideally placed in an attractive sector to take advantage of the emerging economic recovery.

Turnover in British Steel rose to 15m after Strauss Turnbull joined the band wagon of securities houses that have recently upgraded profit expectations for the group. The shares hardened 4 to 128½p.

The broker left the current year profits forecast at £50m but doubled expectations for the following year by £125m to £250m. Mr Zaffer Khan at Strauss said: "The recent pricing initiatives will take time to come through but are likely to be successful and the costs are under control." James Capel and Smith New Court were reported to have also made positive noises on the stock.

Engineering group Fenner closed 14 ahead at 100p, after the market was cheered by news that it was in talks with a potential buyer for its Power Transmission division. The company announced a one-for-two rights issue to strengthen the balance sheet.

Shares in FKI were in demand and finished 5 up et 157p½, with analysts expecting a positive vist in two week to see the group's US operations.

The duhious honour of the day's biggest fall in the market went to engineering group Atlas Converting which registered a 21 per cent decline. The shares tumbled 147p to 533p, after it reported e poor set of interim profits.

Reports that Cedbury Schweppes is lining up to bid to run the National Lottery led to some head scretching among food analysts as to the direction of company strategy. One analyst said that the market felt that tbe company, which last month raised £324m through a rights issue to buy a US soft drinks group, would be best concentrating its efforts on getting its American operations right. The shares fell 4 to 451p.

Profit-taking left Hillsdown trailing 7 to 160p.

Nervous trading ahead of next week's interims at Bank of Scotland weekened the shares and they closed 3 lower at 167p.

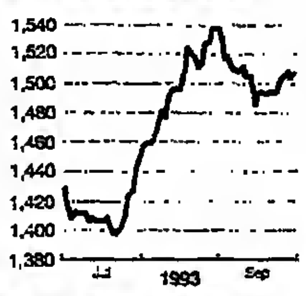
International trading group Inchcape continued to be a weak feature following negative comment from Robert Fleming earlier in the week. The shares lost another 12 to 515p.

Trading in large lines of stock was reported in Smith New Court. The shares finished 10 ahead at 334p, on volume of 5.3m.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Saqib Qureshi.

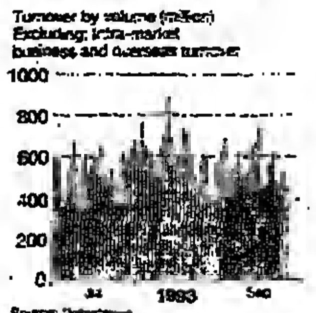
■ Other statistics, Page 25

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover.



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW LOWS (20).
CANADIANS (1) Breakwater, BREWERS (1) Wolv. & Dudley, BUSINESS SERVS (1) Inchcape, CHEMS (1) BOC, ELECTRICALS (2) Arcolectric NV, Burnfield, ELECTRONICS (1) Linx, ENG GEN (2) Atlas, Wellman, FOOD MANUF (1) Yorkshire, FOOD RETAILING (1) Kwik Save, HEALTH & H/HOLD (2) Intercare, Life Sciences, HOTELS & LEIS (1) Tomorrows Lea., INV TRUSTS (2) Dunedin Japan, EFM Smlr. Co's Wts., MISC (1) FII, OTHER INDLS (1) Kelsey, STORES (1) Era, TEXTS (1) Dawson.

FINANCIAL TIMES EQUITY INDICES

	Sep 30	Sep 29	Sep 28	Sep 27	Sep 24	Year ago	*High	*Low
Ordinary share	2318.3	2323.5	2329.5	2321.8	2328.1	1875.3	2414.2	2124.7
Ord. div. yield	4.02	4.01	4.00	4.01	4.03	4.82	4.82	3.82
Earning yld % full	4.72	4.72	4.70	4.72	4.75	5.90	5.36	4.51
P/E ratio net	27.05	27.08	27.15	27.07	[illegible]	18.36	28.30	18.40
P/E ratio nil	24.96	24.97	25.05	24.98	[illegible]	17.82	25.14	18.14
Gold Mines	184.9	180.5	179.4	180.8	173.3	[illegible]	246.2	80.0

*for 1993. Ordinary share index since compilation: high 2414.2 [illegible]; Gold Mines index since compilation high: 734.7 15/2/83- low [illegible]. Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2324.5	2326.2	2328.1	2324.8	2327.4	2323.8	2322.2	2319.0	2316.5	2328.3	2315.7

Volume	Sep 30	Sep 29	Sep 28	Sep 27	Sep 24	Year ago
SEAQ Bargains	30,352	28,827	30,142	27,344	28,242	25,704
Equity Turnover(£m)†	-	1307.3	1688.9	1248.2	1469.9	1437.3
Equity Bargains†	-	32,216	33,407	30,838	30,107	29,858
Shares traded (mil)†	-	443.8	523.4	467.1	481.1	722.8

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3037.5 +7.4	3433.2 -1.2	1506.55 +2.63

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int
"Shorts" (Lives up to Five Years)						
Treas 13¼pc 1993‡‡		101⅛	—	108½	101½	13.80
8½pc 1994		100¾	—	102½	100½	8.42
14½pc 1994‡‡		103¼	—	109¼	105½	13.98
Exch 13½pc 1994		104½xd	—	109½	104½	12.92
Treas 10pc Ln 1994‡‡		102½	—	105½	102½	9.71
Exch 12½pc 1994		106⅛	—	118⅜	106⅛	11.79
Treas 9pc 1994‡‡		103½	—	106½	103½	8.69
12pc 1995		108⅛	—	111½	108	11.11
Exch 3pc Gas 90-95		97¼xd	—	97⅛	94	3.07
10¼pc 1995		107½	+⅛	108⅞	107⅛	9.52

CROSSWORD

No.8,268 Set by DOGBERRY

ACROSS
1 One catching cold receiving a tribute (8)
5 Literary figure reversing trend for gold (6)
9 Megic herb bearing oo flower confers financial control (8)
10 Silver coin tossed, forming no angle (6)
12 Bore's routine (5)
13 Composer with Cubist discoloration (9)
14 Sportsman's factotum bearing left (6)
16 Charlie's playing e song (7)
19 Cootrols circumscribing ecademic body (7)
21 Dog racer embracing retired model (6)
23 City resentful about popular omission (9)
25 Thanks to Mum, left on the island (5)
26 Exile from party carried back home (6)
27 States charge for such therapy (8)
28 Dry up like the Queen's consort? (6)
29 Fine lady incorporated in crowd (8)

DOWN
1 Elevation of Smith, artist to the fleet (6)
2 Many work clothes include eastern script (9)
3 Students receive copy in folded cloth (5)
4 Abused about getting free (7)
6 VIP assessing rise in amateur handicraft (9)
7 Most of team, alternatively, pitch (5)
8 Unorthodox thinker to expostulate about old coins (8)
11 He gets staple back to front (4)
15 Meal the continent's not beginning to comprehend (9)
17 Subsidiary position in which to put a dab hand with 18 (9)
18 Means of killing bird by desperate sobs (8)
20 Captives brought up in exchange (4)
21 Holding a sharp bladed tool (7)
22 Dogs losing heart at film extravaganza (6)
24 9 or 10 ecting up (5)
25 Imbecile monarch in 17 (5)

Solution 8,267

JOTTER PAD

EQUITY FUTURES AND OPTIONS TRADING

SOME SELLING was seen in London derivatives markets yesterday, but traders believed this to be little more than the expected reaction to the close of third quarter trading in equities, writes Terry Byland.

Some shares have benefited from window-dressing support this week and yesterday afternoon saw such deals coming to a close.

"The stock index futures took the end of the quarter worse than the underlying stocks," commented one leading futures trader. The December contract on the FT-SE 100 beld on to a 30-point premium et first, althongh volume was thin. When Wall Street opened lower, sellers appeared and drove the December contract downwards, bringing equity prices back from their highs in its wake.

By the close, the preminm against cash had been cut to only 15 points, putting tha contract at a discount to its 24-point fair valne premium. However, volume was down to 8,152 contracts, the lowest daily figure this week.

Traded options business stayed around recent levels, recording 28,864 lots for the day. The FT-SE option, with 8,978 contracts, was a shade quieter than on Wednesday. British Steel (2,309) headed the list of individual stock options, with the Euro FT-SE option (2,256) close behind.

Active support for bank shares rubbed off in traded options, where Barclays saw 1,760 contracts dealt.

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs	18¼xd	-½	20[illegible]	15[illegible]	15,273	2.5
Allegheny & W ♥	548p	-6	722p	399p	314.0	3.6
Amdahl	389p	-8	591p	294p	436.9	0.9
Amer Cyanamid	36¼	+⅛	38[illegible]	31[illegible]	3,257	3.2
Amer Express	23⅞xd	[illegible]	25[illegible]	14⅞	11,489	2.0
Amer T & T	39¼xd	[illegible]	43¼	33¼	52,892	2.2
Ameritech	56⅞	-1⅛	58¼	46	24,782	4.4
Anheuser-Busch	30⅛	[illegible]	41¼	29[illegible]	8,336	3.2
BankAmerica	29[illegible]xd	[illegible]	38[illegible]	27[illegible]	10,443	3.2
Bankers NY	53½xd	+¼	54[illegible]	42[illegible]	4,294	3.9
Bell Atlantic	42	+⅛	42[illegible]	33[illegible]	18,245	4.2
BellSouth	39⅞	-½	41	32[illegible]	19,698	4.7
Bethlehem Steel ♥	9[illegible]xd	—	13[illegible]	8½	871.1	—
Bowater	1218pxd	-6	1682p	1189p	441.4	3.3
CPC	28[illegible]xd	[illegible]	34[illegible]	26	4,307	3.9
California Engy	1178p	—	1478p	1086p	214.5	—
Chase Manhattan	24½xd	[illegible]	34¼	17[illegible]	3,824	3.3
Chrysler	31[illegible]xd	[illegible]	32[illegible]	21[illegible]	9,352	1.3
Citicorp	25[illegible]xd	[illegible]	25[illegible]	13[illegible]	9,253	—
Colgate-Palm	35xd	[illegible]	45[illegible]	32	5,588	2.7
Cont'l Bank	1790p	+53	1877p	1278p	1,808	2.2
Dana	38½xd	+1[illegible]	38½	29[illegible]	1,767	2.8
Data General	645p	—	551p	527p	178.0	—
Decora Inds ♥	110p	—	146p	104p	—	—
Dun & Brad	41⅞	[illegible]	42¼	37[illegible]	7,377	4.0
Eaton	32¾	[illegible]	33[illegible]	25[illegible]	2,287	2.4
Echlin	21[illegible]xd	+1[illegible]	21[illegible]	15[illegible]	1,234	2.2
FPL	26[illegible]xd	[illegible]	27[illegible]	23[illegible]	4,637	6.2
Ford Motor	39[illegible]xd	-⅝	37[illegible]	28[illegible]	11,987	2.9
Gen Elect	63[illegible]xd	—	67[illegible]	53[illegible]	54,124	2.7
General Host ♥	532p	-6	723p	456p	—	4.3
Gillette	38½xd	-½	42[illegible]	31[illegible]	8,489	1.5
Hasbro	20⅞	—	20⅞	20⅞	1,819	0.8
Honeywell	23[illegible]xd	—	36½	20[illegible]	4,846	2.6
Houston Inds	30⅞	-¼	33[illegible]	28[illegible]	3,988	6.5
Ingersoll-Rand	24⅞xd	-½	25[illegible]	19[illegible]	2,611	1.8
Lockheed	42⅛	—	45[illegible]	35[illegible]	2,627	3.3
Loews	3050p	+130	3050p	1573p	2,225	0.7
Maxtor Technology	249p	-33	330p	127p	—	—
Merrill Lynch	68[illegible]xd	[illegible]	68[illegible]	37	7,078	1.4
Morgan (JP)	51¾xd	[illegible]	51¾	38¾	8,915	3.1
Morris (Philip)	28[illegible]xd	[illegible]	52[illegible]	28	25,509	5.8
NYNEX	30[illegible]xd	[illegible]	32[illegible]	26[illegible]	6,273	5.2
Pall	12⅞	[illegible]	15	10⅞	1,464	1.7
Pennzoil	42[illegible]xd	+1¼	47[illegible]	31[illegible]	1,719	4.7
Quaker Oats	44xd	[illegible]	50[illegible]	38[illegible]	3,172	3.2
Quester	384p	+17	687p	491½p	34.4	—
Rockwell	23¾xd	[illegible]	24[illegible]	18[illegible]	5,236	2.8
Rep NY	35[illegible]xd	[illegible]	37[illegible]	29[illegible]	1,838	2.1
Sears, Roebuck	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS - Cont.

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Europa Mins	33	—	42	15	15.9	–
Glencar Expl IE	12	–	12	6	2.22	–
Greenwich Res	14¾	—	22¼	5	11.5	–
Hemlo Gold C$	£5⅝	–¼	£8¼	£3½	620.1	1.9
Iverna West IE	39	–2	57	31	19.6	–
Kells Mins IE	11	–1	14	6	0.27	–
Kenmare	6¼	—	13½	6	8.76	–
Melinga Res.	8	–½	25½	7½	0.88	–
Navan Res IE	93	—	102	25	18.8	–
5pc Ln Notes	88⅛	—	95¼	25	13.8	–
Oryx Gold	72½	—	76¾	47	–	–
‡‡Ovoca Res IE	8	—	8	3½	0.58	–
RTZ	679	–5	746	607	7,217	3.9

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
▸ Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
φ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
✲ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
‖ Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR "Headline Earnings" draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT3078. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Cash	1	50.26	50.26	50.76	+0.01	5.3
Cnt'd Prfnce	5½	58.38	58.73xd	62.69	-0.08	7.5
Ethical	5½	56.29	56.02xd	59.58	+0.12	3.4
European Growth	5½	64.64	65.00	69.39	-0.11	2.5
Income	5½	56.11	56.41	60.17	-0.02	6.4
Intl Growth	5½	87.00	87.01	93.45	+0.01	2.7
Managed	5½	74.43	75.21	80.22	+0.02	3.3
UK Growth	5½	59.11	59.56xd	63.61	-0.03	4.0

Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Managed Acc	5¼	47.07	47.07	50.02	-0.1	1.48
UK Equity Gth Acc	5¼	63.53	64.65	68.71	-0.2	1.20
UK Eq High Inc Inc	5¼	38.38	38.38	40.78	-0.2	3.33
UK Eq High Inc Acc	5¼	45.55	45.55	48.40	-0.2	3.33
UK Equity Gen Acc	5¼	57.08	58.14	61.78	-0.1	2.06
UK Equity Gen Inc	5¼	43.23	44.05	46.79	-0.1	2.06
UK Larger Cos Acc	F 7½	391.4	398.7	430.5	+0.8	3.59
UK Larger Cos Inc	F 7½	300.8	304.7	330.7	-0.6	3.59
Gilt & Fxd Int Inc	5¼	33.29	33.36	35.20	+0.1	5.76
O'seas Larg Cos Acc	F 7½	291.4	296.5	321.6	+0.6	1.23
Nth American Acc	5¼	43.96	44.22	46.98	—	0.78
Far East Acc	5¼	60.60	60.60	64.39	+0.1	0.39
European Acc	5¼	45.47	45.47	48.32	-0.2	0.70

State Street Unit Trust Mngmt Ltd (1400)F
28 King Street, London SW1 6QW 071-344 7000

Stewart Ivory Unit Tst Mngrs Ltd (1200)F
45 Charlotte Sq, Edinburgh 031-226 3271

Sun Alliance Unit Tst Mngmt Ltd (1200)F

Sun Life of Canada Unit Mgrs Ltd (1000)H

Sun Life Trust Mngmt Ltd (1200)H

Swiss Life Unit Tst Man Co Ltd (1200)F

TSB Unit Trusts (1200)F

T.U. Fund Managers Limited (1200)H

Templeton Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1200)F

Waverley Unit Tst Mngt Ltd (1200)F

Whittingdale Unit Tst Mngmt Ltd (0800)F

Woolwich Unit Trust Managers Ltd (1700)H

INVESCO Asset Management Ltd

Jupiter Merlin Unit Trust Managers Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

M & G Securities Ltd

Morgan Grenfell Investment Funds Ltd

Morgan Stanley International

Mercury Fund Managers Ltd

Rothschild Asset Management

J. Rothschild Fund Managers Ltd.

Thornton Unit Managers Ltd

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Baring Investment Mngmt Ltd

CAF - Charity Money Management

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England

Charities Official Inv Fd

Charity Fixed Int Fd/Charity Equity Fd

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Foreign & Colonial Unit Management Ltd

Gowett (John) Unit Mngrs Ltd

Henderson Unit Trust Management Ltd

INSURANCES

AXA Equity & Law Life Assce

Abbey Life Assurance Co Ltd

Abbey National Life Plc

Aetna Life Assurance Co Ltd

AEGON Life Assurance Co (UK) Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Allied Dunbar Assurance Plc - Contd.

American Life Insurance Co UK

Black Horse Life Assurance

Britannia Life Assurance

Britannia Life Ltd

Canada Life Group

Cannon Assurance Ltd

Citibank Life

Citibank Life - Contd.

City of Westminster Assurance

Clerical Medical/Fidelity Investments

Clerical Medical Investment Group

Colonial Mutual Group

Combined Life Assurance Co Ltd

Commercial Union Group

Crown Financial Management Ltd

Eagle Star Insur/Midland Assur.

Equitable Life Assurance Society

Family Assurance Friendly Society Ltd

Friends Provident Life Office

GT Unit Managers Ltd

General Portfolio Life Insur Plc

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Benefit Society

Homeowners Friendly Society

Ideal Insurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General

Life Association of Scotland

Lincoln National Life

London Life

London & Manchester Assurance

M & G Life and M & G Pensions

M & G Life and M & G Pensions - Contd.

Manulife Group

Manchester Unity Assurance

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

MGM Assurance

NM Life Limited

N & P Life Assurance Ltd

NPI

National Mutual Life Assurance Society

Norwich Union Life Insurance Soc.

Norwich Union Life Insurance Soc. - Contd.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Life Assurance Ltd

Providence Capital Life Assc. Co. Ltd

Prudential Pensions Limited

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ 0256 470707				
Gold Range (Pensions)				
Managed Fund		169.8	-0.1	-
Provident Mutual Life Assc. Assn.				
8 Hills Way Stevenage Herts SG1 2ST 0438 732000				
Managed Ord	442.4	465.7	+1.2	-
Managed Int	310.0	326.3	+0.7	-
Equity Ord	659.1	693.8	+1.7	-
Equity Int	461.8	486.1	+1.2	-
Index Linked Gilt Ord	205.6	216.4	+0.3	-
Index Linked Gilt Int	150.4	158.3	+0.1	-
Overseas Equity Ord	363.5	382.6	+1.3	-
Overseas Equity Int	254.7	268.1	+0.9	-
Property Ord	235.0	247.4	—	-
Property Int	164.7	173.4	—	-
Fixed Interest Ord	279.0	294.5	+0.9	-
Fixed Interest Int	196.1	206.4	+0.7	-
Deposit Ord	198.7	209.2	—	-
Deposit Int	139.2	146.5	—	-
Pension Funds				
Managed Ord	592.4	623.6	+1.9	-
Managed Int	415.1	436.9	+1.3	-
Equity Ord	912.2	960.2	+2.9	-
Equity Int	639.2	672.8	+2	-
Pen Ind Lnd Gilt Ord	234.5	246.8	+0.3	-
Pen Ind Lnd Gilt Int	171.6	180.6	+0.2	-
Overseas Equity Ord	431.1	453.8	+2	-
Overseas Equity Int	302.1	318.0	+1.4	-
Property Ord	303.3	319.3	+0.1	-
Property Int	212.5	223.7	—	-
Fixed Interest Ord	365.5	384.7	+1.2	-
Fixed Interest Int	256.1	269.6	+0.8	-
Deposit Ord	292.1	307.5	+0.1	-
Deposit Int	204.7	215.5	—	-
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Sep 29	317.5	330.8	—	-
Prudential Corporate Pension Funds				
55 King's Road, Reading RG1 3AH 0734 494852				
Prudential Managed Funds				
Discretionary Sep 8	£247.93	256.78	-4.18	-
Equity Sep 8	£280.40	290.22	-3.64	-
International Sep 8	£41.39	42.48	-1.45	-
Intl Bond Sep 8	£21.13	21.98	-0.28	-
Fixed Int Sep 8	£132.18	133.89	+0.18	-
Index Linked Sep 8	£96.08	97.28	+0.39	-
Property Sep 8	£113.74	128.16	+0.29	-

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable				
150 St Vincent St, Glasgow 041-248 2323				
Life Funds (First Series)				
Managed	433.3	456.2	-0.10	-
Equity	543.0	571.0	-1.30	-
Property	248.3	261.5	+0.08	-
International	435.3	458.3	+2.50	-
Japanese	123.3	129.8	+0.80	-
Asia Pacific	154.8	163.0	+2.20	-
European	119.5	125.9	+0.50	-
American	156.7	165.0	+0.80	-
Fixed Interest	364.8	384.1	-1.80	-
Index-Linked Gilt	201.4	212.0	—	-
Cash	222.6	234.4	—	-
Life Funds (Second Series)				
Managed	120.8	127.2	—	-
Equity	116.9	123.1	+0.30	-
Property	104.5	110.0	—	-
International	134.9	141.0	+0.80	-
Japanese	123.7	130.3	+0.80	-
Asia Pacific	152.0	160.1	+2.10	-
European	118.8	125.1	+0.80	-
American	153.4	161.6	+0.60	-
Fixed Interest	137.4	144.7	-0.80	-
Index-Linked Gilt	129.0	135.8	—	-
Cash	110.6	116.5	—	-
Pension Funds				
Building Society	175.9	185.2	+0.10	-
Managed (Init)	250.1	263.3	+0.30	-
Managed (Acc)	504.2	530.8	+0.70	-
Equity (Init)	280.9	295.7	-0.90	-
Equity (Acc)	566.2	596.1	-1.80	-
Property (Init)	152.3	160.4	+0.10	-
Property (Acc)	307.1	323.3	+0.14	-
International (Init)	254.5	267.9	+2.00	-
International (Acc)	513.0	540.1	+4.10	-
Fixed Interest (Init)	242.5	255.3	-0.80	-
Fixed Interest (Acc)	488.8	514.6	-1.50	-
Cash (Init)	153.5	161.6	—	-
Cash (Acc)	309.5	325.8	—	-
Others				
Capital Guarantee Bond	104.8	110.2	—	-
Scottish Equitable Life Assce. Soc.				
28 St Andrew Sq, Edinburgh 031-556 9101				
Mixed	240.5	253.1	+1.0	-
UK Equity	227.1	239.1	+0.3	-
International	241.0	253.7	-0.8	-
American	245.0	258.6	+0.2	-
European	226.7	238.6	+0.2	-
Japan	249.6	263.1	+0.4	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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Bank Von Ernst & Cie AG

Marktgasse 63/65, 3001 Berne, Switzerland 31224051

Banque Scandinave à Luxembourg SA

15 Boulevard Royal, L-2449, Luxembourg

Barclays Diversified Portfolio

14 rue Aldringen L-1118

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar jumps on figures

THE DOLLAR responded well to positive US data yesterday, jumping a pfennig against the D-Mark in late London trading, writes Emma Tucker.

It was further boosted by a feeling that investors had underplayed the significance of events in Russia. Reports from Moscow that armoured vehicles had moved nearer the Russian parliament reminded dealers that the struggle in the former Soviet Union is not yet resolved and another bout of nerves pushed the D-Mark lower.

Later, news that the Chicago purchasing managers index rose to 54.5 per cent in September from 50.2 per cent in August lifted the dollar even higher.

The market was particularly heartened by a jump in the employment component of the index from 47.3 per cent to 51.5 per cent, an early indication that next week's crucial non-farm payroll figures will be better than expected.

There was also promising news from the US Department of Commerce which reported that August personal income rose 1.3 per cent on the previous month, the strongest rise since April. Economists had expected a 1 per cent increase compared with July's 0.2 per cent fall.

"There are now signs that the market was too pessimistic about the US economy," said Mr Jeremy Hawkins from Bank of America in London. "There is a case for being more optimistic about growth in the third quarter."

The dollar closed in London at DM1.6365, up over two pfennigs on the day. Against the yen it was more static although it closed only slightly below the day's high of Y106.12. This compares with the previous day's close of Y105.15.

The pound had a better day, rising ¾ of a pfennig to close at DM2.4475.

"The pound was oversold on Wednesday," said Mr Adrian Cunningham of UBS. "Now people are taking a more realistic view on the potential for rate cuts."

UK Economists are still debating the merits of another interest rate cut. Yesterday, Mr Patrick Minford, one of the government's seven-wise men said: "The chancellor should devise a more robust monetary policy and cut interest rates while ruling out tax increases. He should not worry if the pound falls against the D-Mark because this might help the recovery."

But analysts, including Prof Minford himself, are not confident that Mr Kenneth Clarke will follow this advice.

Elsewhere in Europe a number of currencies gained from the unwinding of the D-Mark.

The Belgian franc, however, was marginally weaker at BFr21.55 against the D-Mark after a 0.10-point cut in central and end-of-day rates. Rumours that Luxembourg was considering severing its currency peg to Belgium, should the Belgian franc depreciate further against the D-mark, also weakened the currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 30	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.14382	-2.40	6.22	-
D-Mark	1.94964	1.90884	-2.09	5.88	-
Spanish Peseta	154.250	154.237	-0.01	3.68	0
Irish Punt	0.808628	6016295	0.95	2.69	-8
French Franc	6.53883	6.65990	1.85	1.78	-16
Portuguese Escudo	192.854	196.657	1.97	1.66	-13
Belgian Franc	40.2123	41.2142	2.49	1.15	-18
Danish Krone	7.43679	7.70351	3.67	0.00	-25

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

£ IN NEW YORK

Sep 30	Latest	Previous Close
£ Spot	1.4980 - 1.4990	1.5115 1.5125
1 month	0.37 - 0.36pm	0.38 0.37pm
3 months	1.03 - 1.01pm	1.03 1.01pm
12 months	3.15 - 3.05pm	3.18 3.10pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep 30	Previous
8.30 am	79.9	79.8
9.00 am	79.0	79.9
10.00 am	79.9	79.9
11.00 am	79.9	79.8
Noon	80.0	79.9
1.00 pm	80.0	79.8
2.00 pm	79.9	79.9
3.00 pm	79.9	79.8
4.00 pm	79.7	79.9

CURRENCY RATES

Sep 30	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.939620	6780174
U S Dollar	3.00	1.41941	1.17804
Canadian $	4.90	1.88569	1.56766
Austrian Sch	5.75	16.1018	13.4315
Belgian Franc	8.50	49.1542	41.2142
Danish Krone	8.25	0.27855	7.70951
D-Mark	8.25	2.28411	1.90894
Dutch Guilder	5.50	2.56431	2.14392
French Franc	-	7.98631	6.65890
Italian Lira	8.5	2233.08	1860.65
Japanese Yen	1.75	149.393	123.837
Norway Krone	-	10.0395	8.33928
Spanish Peseta	-	184.865	154.237
Swedish Krona	11.50	11.4575	8.47533
Swiss Franc	4.50	N/A	1.66938
Greek Drach	19	N/A	275.463
Irish Punt	-	N/A	0.816395

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations.
* All SDR rates are for Sep 29

CURRENCY MOVEMENTS

Sep 30	Bank of England Index	Morgan ** Guaranty Changes %
Sterling	79.7	-29.60
U.S. Dollar	65.2	-12.60
Canadian Dollar	90.1	-11.50
Austrian Schilling	115.5	+17.30
Belgian Franc	111.2	-1.70
Danish Krone	114.0	+8.60
D-Mark	128.1	+34.10
Swiss Franc	116.1	+25.40
Dutch Guilder	120.8	+23.10
French Franc	107.7	-8.20
Lira	78.3	-35.90

EXCHANGE CROSS RATES (partial)

Sep 30	£	$	DM	Yen	F Fr.	B Fr.
£	1	1.496	2.448	158.6	8.515	2.138
$	0.668	1	1.636	106.1	5.691	1.429
DM	0.408	0.611	1	64.87	3.478	0.873
YEN	6.297	9.421	15.42	1000.	53.61	13.46
F Fr.	1.175	1.757	2.876	186.5	10.	2.511
B Fr.	0.468	0.700	1.145	74.28	3.982	1
N Fl.	0.364	0.545	0.892	57.85	3.101	0.779
Lira	0.421	0.630	1.030	66.84	3.583	0.900
C $	0.501	0.749	1.225	79.48	4.261	1.070
S Fr.	1.896	2.836	4.641	301.0	16.14	4.053
Pta	0.507	0.759	1.242	80.57	4.318	1.085
Ecu	0.776	1.161	1.901	123.3	6.609	1.660

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Pesta per 100.

OTHER CURRENCIES (partial)

Sep 30	£	$
Argentina	1.5025 - 1.5055	0.9980 - 1.0000
Australia	2.3360 - 2.3375	1.5520 - 1.5525
Brazil	192.610 - 192.840	128.070 - 128.090
Finland	8.7340 - 8.7640	5.8015 - 5.8215
Greece	353.190 - 354.245	234.600 - 235.300
Hong Kong	11.6435 - 11.6450	7.7340 - 7.7350
Iran	2383.20 - 2386.20	1583.00 - 1585.00
Korea(Sth)	1219.45 - 1219.75	810.00 - 810.20
Kuwait	0.44970 - 0.45090	0.29870 - 0.29950
Luxembourg	52.70 - 52.80	35.25 - 35.35
Malaysia	3.8305 - 3.8325	2.5445 - 2.5455
Mexico	4.6955 - 4.8325	3.1190 - 3.2100
N.Zealand	2.7330 - 2.7360	1.8150 - 1.8175
Saudi Ar	5.6470 - 5.6485	3.7485 - 3.7505
Singapore	2.3805 - 2.3820	1.5815 - 1.5825
S.Af (Cm)	5.1735 - 5.1760	3.4365 - 3.4380
S.Af (Fn)	6.1675 - 6.2025	4.1100 - 4.1200
Taiwan	40.45 - 40.65	26.90 - 27.00
U.A.E.	5.5265 - 5.5295	3.6715 - 3.6735

MONEY MARKETS

Surprise shortage

TENSIONS in the UK money market failed to materialise yesterday after the Bank of England forecast a much smaller than expected liquidity shortage.

With dealers believing that end-of-quarter requirements would prompt a shortage as high as £3.5bn, there was some surprise when the Bank came up with only £1.1bn. This was revised marginally to £1.05bn.

Earlier this week dealers had suggested that the Bank's decision to hold a gilt auction just before the end of the quarter was unwise, since it would add to demand for cash and thus increase pressure in the money markets.

UK clearing bank base lending rate 6 per cent from January 26, 1993

One dealer said of yesterday's shortage: "Its size would certainly suggest that the cash management at the Bank of England was better organised than people thought."

Nonetheless, it took a while to clear the shortage. In early operations the Bank purchased bills totalling only £20m, followed by £160m in later morning trading.

This pushed the overnight rate up as high as 8 per cent, but a purchase of £506m of bills in the afternoon, and late assistance of £360m, brought it back down to around 6 per cent.

The three-month interbank rate was slightly lower at 5$\frac{15}{16}$ - 5⅞ per cent. The previous day it closed at 6 per cent on the offered side.

Short sterling moved in a very narrow range with the market uncertain about the timing of future cuts in interest rates. The December contract opened at 94.39 to close slightly lower at 94.35. Trading was subdued with just over 10,000 contracts traded.

● In Germany call money firmed to 6.9-7 per cent from 6.85-95 per cent, after the Bundesbank withdrew section 17 funds which had been circulating in the market for almost a week.

Some dealers expressed surprise when the funds were withdrawn, as they had hoped the extra liquidity would be left in the market to compensate banks for the draining of DM8.5bn of funds earlier this week.

The December and March Euro-Mark contracts slipped, reflecting a belief in the market that the German central bank will take its time over monetary easing. Longer dated contracts held up relatively better indicating that even if the Bundesbank takes a while to ease monetary policy, rates will eventually have to come down.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep 30) 3 months US dollars		6 months US Dollars	
bid 5¼	offer 3⅜	bid 5¼	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	2.92	Three year	4.19
Broker loan rate	5	Two month	2.95	Five year	4.78
Fed.funds	3⅝	Three month	2.98	Seven year	4.97
Fed.funds at intervention	-	Six month	3.13	10-year	5.38
		One year	3.37	30-year	6.02
		Two year	3.87		

Sep 30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.85-7.00	6.70-6.85	6.65-6.75	6.50-6.65	6.30-6.45	7.25
Paris	7⅛-7¼	7.02-7.22	-	6.93-7.13		6.75
Zurich	4⅝-4⅞	4¾-4⅞	-	4⅝-4¾	-	-
Amsterdam	6.38-6.50	6.38-6.48	-	6.25-6.35	-	-
Tokyo	3¼-3⅜	-	-	2⅞-2½	-	-
Milan	8⅞-8⅛	8⅞-6⅞	-	6⅞-6¾	-	-
Brussels	-	9⅞-9⅞	-	9⅛-9½	-	-
Dublin	6⅞-6⅞	6⅞-7⅛	6⅞-7	6⅞-7	6⅝-6¾	-

LONDON MONEY RATES

Sep 30	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	8⅛	6⅞	6⅛	6⅛	6⅞	5⅞
Interbank Bid	6	6	5⅞	5⅞	6⅛	5⅞
Sterling CDs.	-	-	6	5⅞	6⅛	5⅞
Local Authority Deps.	7½	6¼	6	5⅞	5⅞	5⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	7½	6¼	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	5⅞	5⅞	5⅞	5⅞
Treasury Bills (Buy)	-	-	5⅞	5¼	5⅞	-
Bank Bills (Buy)	-	-	5⅞	5⅝	5½	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs.	-	-	2.99	3.07	3.13	3.38
SDR Linked Dep. Offer	-	-	4⅛	4⅛	4⅛	4⅛
SDR Linked Dep. Bid	-	-	4¼	4⅛	4⅛	4
ECU Linked Dep. Offer	-	-	7⅞	7¾	7¼	6⅝
ECU Linked Dep. Bid	-	-	7⅞	7½	7	6⅛

Treasury Bills (sell); one-month 5½ per cent; three months 5⅞ per cent; six months 5⅛ per cent; Bank Bills (sell): one-month 5⅞ per cent; three months 5⅞ per cent; Treasury Bills; Average tender rate of discount 5.1859 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1993. Agreed rates for period Oct 26, 1993 to Nov 23, 1993 Schemes II & III: 7.22 p.c. Reference rate for period Sept 1, 1993 to Sept 30, 1993, Scheme IV&V: 5.954 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6pc from October 1, 1993:Bank Deposit Rate for sums at 7 days notice 5⅛ p.c. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 2¼ p.c.; one-three months 5¼ p.c.; three-six months 5 p.c.; six-nine months 4¾ p.c.; nine-twelve months 4½ p.c.; Under £100,000 2¼ p.c. from Jan.27, 1993. Deposits withdrawn for cash 1¼p.c.

FINANCIAL FUTURES AND OPTIONS

BASE LENDING RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

[illegible]

CANADA

TORONTO

4 pm close September 30

Quotations in cents unless marked $

[illegible]

MONTREAL

4 pm close September 30

[illegible]

INDICES

NEW YORK

DOW JONES	Sep 29	Sep 28	Sep 27	Sep 24	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3566.30	3566.02	3567.70	3543.11	3652.09 (25/8)	3241.95 (20/1)	3652.09 (25/8/93)	41.22 (2/7/32)
Home Bonds	108.83	108.59	108.62	108.72	109.69 (13/9)	103.48 (11/1)	109.69 (13/9/93)	54.99 (1/10/81)
Transport	1637.33	1653.78	1646.51	1636.47	1683.06 (18/4)	1453.84 (4/1)	1683.06 (18/4/93)	12.32 (8/7/32)
Utilities	249.67	251.32	250.59	248.42	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Indl. Day's High 3598.46 (3588.49) Low 3538.91 (3542.27) (Theoretical♠)
Day's High 3578.84 (3571.06) Low 3554.28 (3558.87) (Actual♠)

STANDARD AND POOR'S

	Sep 29	Sep 28	Sep 27	Sep 24	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	460.11	461.53	461.80	457.63	463.56 (31/8)	429.05 (8/1)	463.56 (31/8/93)	4.40 (1/6/32)
Industrials♥	517.97	519.06	520.40	516.15	524.99 (10/3)	496.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	48.22	48.40	48.21	47.82	48.40 (28/9)	39.89 (8/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Composite	255.80	256.16	256.21	254.18	256.88 (31/8)	236.21 (8/1)	256.86 (31/8/93)	4.46 (25/4/42)
Amex Mkt. Value	457.85	457.12	455.44	454.53	461.57 (3/9)	395.84 (8/1)	461.57 (3/9/93)	29.31 (9/12/72)
NASDAQ Composite	763.17	763.86	769.95	754.65	763.86 (28/9)	645.87 (28/4)	763.86 (28/9/93)	54.87 (31/10/72)

	Sep 24	Sep 17	Sep 10	year ago (approx.)
Dow Industrial Div. Yield	2.88	2.81	2.81	3.19
	Sep 22	Sep 15	Sep 8	year ago (approx.)
S & P Industrial div. yield	2.51	2.47	2.49	2.63
S & P Indl. P/E ratio	27.52	27.84	27.57	27.77

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Maxus Energy	2,584,100	8¼	+ ⅜
Citicorp	2,579,100	38⅛	+ ¼
Unocal	2,508,100	28¾	+ 1⅛
Gen Mot E	2,329,300	29⅞	- ¼
BankAmerica	2,313,800	44¾	- ⅝
Chrysler	2,274,400	48¾	- 1
CML	2,240,200	28	- 2⅞
Micron	2,227,700	55⅜	- 4⅞
Gen Motors	2,227,500	43⅞	- 1⅞
IBM	2,196,200	41⅝	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Sep 29	Sep 28	Sep 27
New York SE	227.328	243.320	242.094
Amex	22.385	19.229	17.909
NASDAQ	341.324	283.397	286.563
NYSE			
Issues Traded	2,623	2,637	2,630
Rises	990	1,084	1,305
Falls	1,002	904	700
Unchanged	631	649	625
New Highs	146	163	153
New Lows	21	33	21

CANADA TORONTO

	Sep 29	Sep 28	Sep 27	Sep 24	1993 HIGH	1993 LOW
Metals & Minerals	2812.38	2842.08	2853.37	2838.58	3140.94 (18/8)	2743.31 (21/1)
Composite	3883.20	3878.83	3883.82	3882.40	4143.70 (1/8)	3275.80 (21/1)
MONTREAL Portfolio	1864.38	1071.15	1875.10	1874.90	1963.55 (1/8)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.
New York and Canada indices in yesterday's edition should have been dated Sep. 28, 27, 24 and 23, not as shown.

[illegible]

TOKYO - Most Active Stocks

Thursday, September 30, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nikkatsu	23.3m	8	+1	NKK Corp	2.8m	266	+8
Nippon Steel	5.8m	318	+11	Nippon Yusen KK	2.7m	603	+8
Sanyo Electric	4.6m	453	+10	Sumitomo Mtl Ind	2.3m	297	
Mitsukoshi	4.0m	990	+22	Itochu Corp	2.1m	813	+4
Mitsubishi Hvy	2.8m	644	-1	Kawasaki Steel	2.1m	310	+7

4 pm close September 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.7	43	163	13	12¾	12⅞	+⅛
29⅞	13¾	A L Labs A	0.18	1.0	35	347	18	17⅝	17⅝	
67¼	54⅝	AMP Inc	1.60	2.4	23	1954	u67¼	66⅛	66⅛	-1
72¾	56½	AMR			17	2262	65¾	64½	65⅛	-⅛
3¾	1¾	ARX			13	510	u3¾	3½	3⅝	-⅛
51½	26⅞	ASA	2.00	4.7	27	839	42¾	41⅝	42¼	+¾
30¾	22⅞	Abbott Lab	0.68	2.5	17	7262	27⅝	27⅛	27⅜	+⅛
12⅝	8¼	Abitibi Pr	0.56	6.0	3	16	8⅜	d8¼	8⅜	
15¼	8¼	Acclaimcelo			48	336	14¾	14⅛	14¾	+½
36	25½	ACE Ltd	0.92	2.8		52	33⅛	32⅞	33⅛	+⅛
12	10¾	ACM Gvt In	0.96	8.4		421	11½	11¼	11⅜	
10	9⅛	ACM GvOpp	0.80	8.2		35	9⅞	9¾	9¾	-⅛
9⅞	8¾	ACM Gvt Sp	0.80	8.3		549	9¾	9⅝	9⅝	
11⅝	10½	ACM Gvt Se	0.96	8.3		583	11½	11⅜	11½	+⅛
11⅝	9⅝	ACM Man	1.60	9.3		111	u11⅝	11½	11⅝	
9⅞	8⅝	ACM Managd	0.72	7.7		43	d9⅜	9¼	9⅜	
12⅛	7¾	Acme Cleve	0.44	4.6	12	22	9½	9⅜	9½	
9¼	6½	Acme Elect			46	31	6⅝	d6⅜	6½	-⅛
27⅝	18⅜	Acordia	0.44	1.8	14	40	25	24¾	25	
16	10⅜	Acuson			32	394	11⅞	11½	11⅞	+¼
21¾	16¼	Adams Expr	0.48	2.6	0	332	18⅝	18½	18⅝	-⅛
66¼	45½	Ad Micro	3.00	5.2		447	59½	57½	57½	-2⅛

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

Continued on next page

4 pm close September 30

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
22	18½	S Anita Rt	1.36	7.2	17	164	19¼	18⅞	18⅞	-⅛
20¾	14⅞	SCOR US Cp	0.32	1.8	209	44	18¾	18¾	18¾	-⅛
28¾	20	SPS Techno	1.28	4.0	20	42	27¾	27⅞	27¾	-⅛
15¾	12⅞	Sabine Rat	1.74	11.7	10	234	15⅛	14⅞	14⅞	+⅛
13⅞	8⅞	Salecero	0.20	1.5	13	233	13⅝	13⅜	13⅜	
23½	16⅞	Safeg'd Sc			16	55	21⅞	21¾	21¾	-⅜
24¾	14⅞	SafetyKlo	0.36	2.4	23	909	15¼	14⅞	15⅛	-⅛
19¾	10⅞	Safeway			29	604	19	18⅝	18¾	+⅛
4¼	2	SafewayWSG				72	4⅛	4⅛	4⅛	-⅛
55	37½	StJoePaper	0.20	0.4	185	58	46¼	45⅞	46⅛	
37⅞	21	StJosL&P	1.76	4.8	14	5	36½	36½	36½	-¼
94	75	St Paul's	2.80	3.1	14	280	92	91	91⅛	-¼
11⅞	7½	Salant Crp			4	51	8⅜	7¾	8⅜	-1¼
75¼	38⅞	Sallie Mae	1.20	2.7	9	3306	45	44⅞	45	+⅝
14⅛	13	Salomon Br	0.32	2.3		163	13⅞	13¾	13¾	+⅛
51⅞	34	SalomonInc	0.64	1.3	11	4630	61½	47⅛	47¾	-⅛
27¾	23⅛	SanDgo G&E	1.48	5.5	14	490	27	26⅞	27	-2⅝
5	3½	SantaFeEDu	0.40	8.2	40	16	4⅞	4⅞	4⅞	+⅛
11⅞	9⅛	SantaFeERs	0.18	1.5	525	2044	10⅝	9⅞	10½	
40¾	35¾	SantaFePac	2.80	7.2	13	54	38⅝	38⅛	38⅝	+½
19	12¾	SantaFPac	0.16	0.5	12	1230	18⅜	18⅛	18¼	+½
21⅛	21	Sara Lee	0.50	2.5	19	4220	24	23	23⅝	-⅛
51⅞	40⅛	Scana Corp	2.74	5.4	15	353	51	50½	50¾	+⅜
25¾	21½	Scecorp	1.42	0.1	14	4725	23⅝	23¼	23⅜	-¼
36⅞	23⅞	SchererRP			27	449	33½	32½	33⅛	-¼
70⅞	31¾	SchelngPl	1.80	2.7	10	2984	66⅝	65¼	65⅞	+¼

NASDAQ NATIONAL MARKET

4 pm close September 30

AMEX COMPOSITE PRICES

4 pm close September 30

AMERICA

Rally in Dow follows sharp opening losses

Wall Street

US share prices rallied yesterday morning following big early declines, to end the morning session little changed from overnight closing values, *writes Patrick Harverson in New York.*

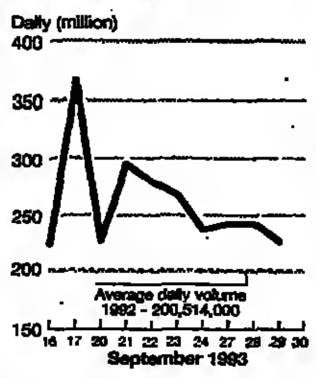
At 1 pm, the Dow Jones Industrial Average was down 2.80 at 3,563.50. The more broadly based Standard & Poor's 500 was 1.01 firmer at 461.12, while the Amex composite was up 0.70 at 458.35, and the Nasdaq composite down 1.12 at 76.05. Trading volume on the NYSE was 162m shares by 1 pm.

The market opened sharply lower, with the Dow dropping almost 20 points in the first half an hour of trading. The losses were attributed to several factors: further weakness in bond prices (the yield on the 30-year bond rose back above 6 per cent mid-morning), higher crude oil and gold prices, which always raise concerns over inflation, and nervousness ahead of the approaching corporate reporting season.

US companies are due to begin releasing third quarter earnings data in the next few weeks, and the sluggish nature of economic growth over the summer has raised fears that corporate profitability in this latest quarter may not match the achievements of the first half.

Among individual sectors, most oil stocks were strong for the second consecutive day as crude prices rose in the wake of an oil production agreement between members of Opec. Chevron rose $⅜ to $97⅛.

NYSE volume



Mobil added $⅜ at $82⅝, Texaco put on $⅜ at $65⅞ and British Petroleum firmed $⅛ to $59⅞.

General Motors fell $1⅛ to $42⅝ amid apprehension about the car group's board meeting on Monday, which will review GM's labour relations strategy. The company is currently attempting to negotiate a new wage agreement with the car workers' unions.

USAir fell $⅜ to $12⅝ after the airline forecast losses for the third quarter of, and the full year 1993, and said that it would take a $75m charge in the latest quarter and $44m for the year to help cover the cost of 2,500 job cuts. The weakness in USAir spread to other carriers, with UAL falling $2⅛ to $139⅞ and AMR giving up $⅜ at $64⅝.

USF&G dropped $1⅛ to $14⅝ in heavy trading after thebrokerage house, Kidder Peabody, cut its 1993 and 1994 earnings forecasts for the insurance group.

On the Nasdaq market, leading technology issues were depressed. Intel fell $1⅛ to $71⅞, Apple gave up $⅜ at $23⅛, and Microsoft slipped $⅜ to $82⅝.

Canada

TORONTO continued to rally at midday helped by gains in precious metal and energy issues.

The TSE-300 composite index was 13.98 higher at 3,997.14 in volume of 21.2m shares valued at C$260.4m.

Advancing issues led declines by 323 to 251 with 279 stocks unchanged.

EUROPE

Opec output ceiling supports oil stocks

A CEILING on output resulting from the Opec talks helped oil stocks yesterday, *writes Our Markets Staff.*

AMSTERDAM was lifted by Royal Dutch, up Fl 3.30 to Fl 186.30 on agreement at the Opec ministers meeting in Geneva. The CBS Tendency index finished up 0.6 to 124.5 in turnover reported as low.

KNP BT went against the trend with a fall of 20 cents to Fl 33.70, having priced its one for five rights issue below market expectations at Fl 30.50.

Philips and Polygram both put on 60 cents, to Fl 37.20 and Fl 63.40 respectively; investors responded with some enthusiasm from comments by Mr Jan Timmer, the chairman, that the group's cost-cutting exercise was so far surpassing set targets.

PARIS saw the expiry of options and futures contracts pull the CAC-40 index lower; it closed 12.17 down at 2,114.63 after an earlier high of 2,131.52. Because of technical trading turnover rose to FFr3.8bn.

Positive moves included Alcatel Alsthom's gain of FFr9 to FFr733 on flat first half profits, and Elf Aquitaine's of FFr8.50 to FFr432.60 on the Opec news.

Générale des Eaux lost FFr20 to FFr2,578 on the announcement late on Wednesday that the government may liberalise the cellphone sector and grant a licence to a third operator.

The slide in LVMH continued as brokers issued sell notes, the stock coming off FFr63 to FFr3,767. Since recording a year's high at the beginning of September the shares have lost 13 per cent as the market braced itself for disappointing interim results.

Bancaire shed FFr20.80 or 4 per cent to FFr494.20 on rumours that it might drop out of the CAC-40 in due course to make way for BNP.

FRANKFURT took its gains on the September quarter to 12.8 per cent as the DAX index rose 8.02 to 1,915.71 in turnover dipped from DM5.3bn to DM5.1bn.

Mr Eckhard Frahm of Merck Finck in Düsseldorf said that descending interest and inflation rate trends should continue to be good for the market in the medium term, but that the weak dollar, the cancellation of pay agreements in the metal-based industries and any escalation in Russia fears should limit upward potential in the weeks immediately ahead.

The leading DAX stocks over the past three months were story-led, said Mr Frahm: at the top, Lufthansa rose 37.1 per cent, on its privatisation prospects and on effective domestic political support; next, Schering was up 23.6 per cent on prospects for its Betaseron drug; and thirdly, Viag's potential merger with Bayernwerk gave it a gain of 22.6 per cent.

The same applied to the company at the bottom. Volkswagen, under pressure from industrial espionage allegations, rose just 1.3 per cent, 10.2 per cent down relative to the DAX; hut this still left it up 51.6 per cent over the first 9 months of this year.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

September 30 Hourly changes	Open	11.30	12.00	13.00	14.00	15.00	16.00	Close
FT-SE Eurotrack 100	1295.05	1295.16	1295.33	1295.95	1296.21	1294.09	1292.66	1293.02
FT-SE Eurotrack 200	1362.94	1362.88	1364.33	1364.08	1366.14	1363.91	1362.50	1362.51

	Sep 29	Sep 28	Sep 27	Sep 24	Sep 23
FT-SE Eurotrack 100	1288.31	1288.96	1290.59	1274.95	1273.84
FT-SE Eurotrack 200	1356.79	1364.11	1361.41	1346.86	1347.03

Base value 1000 (26/10/90) High/day: 100 - 1296.84; 200 - 1367.91 Low/day: 100 - 1292.36 200 - 1361.38.

MILAN recovered some ground as Fiat rebounded after Wednesday's fall, but the rise was restrained as the market awaited further details of the Rinascente disposal. The Comit index added 2.05 to 596.03.

Mr Roberto Morelli at NatWest Securities commented: "I think that after the shock, the reality is dawning that the capital increase really was needed. The market perception has certainly improved today." Fiat rose L132 to L5,689.

Sip rose L42 to L3,722 in e continued response to much better than expected gross operating profits. Cir, Mr Carlo De Benedetti's holding company, added L47 to L1,620 in response to first half results which showed a return to pretax profit.

Sme, the state controlled supermarket and motorway restaurant chain, shed L48 to L4,177 as it forecast that full year figures would be in line with those of last year.

ZURICH slipped on profit-taking and the SMI index, headed towards the 2,500 level early in the day, finished 12.3 lower at 2,473.1.

An analyst at James Capel in London saw no reason for the market to pull back before the 2,500 level was breached, although it was difficult to see what, other than a cut in interest rates, might help prices convincingly higher.

He believed that in the continued absence of a lead from the Bundesbank, Switzerland would cut rates unilaterally, since unemployment was rising, the money supply was under control, the Swiss franc was strong and headline inflation was about to fall in November. The profit-taking left Nestlé SFr9 lower at SFr1,090 after its strong performance during the week.

Written and edited by William Cochrane, John Pitt and Michael Morgan.

Copenhagen's climb runs into resistance

Danish equities have had a flat month after a boost in August, writes Hilary Barnes

The Danish equities market received a short-lived boost from the disintegration of the EMS in August, which weakened the krone against the D-Mark. The all-share index put on 6 per cent, but the improvement did not last.

In September the index has barely moved. The krone has slipped by about four per cent against the D-Mark since the end of July, but the government's aim is to prevent a significant depreciation and Denmark's domestic currency has strengthened slightly against the Ecu since the end of July.

An encouraging factor is that two cuts since August in the official discount rate, which moved down by 0.5 per cent to 8.25 per cent on Monday, left the krone undamaged, generating expectations of further interest rate reductions to come. On the assumption of lower short-term interest and easier money, brokers in Copenhagen expect a moderate improvement in share prices over coming months.

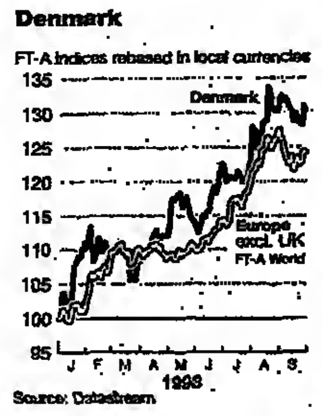
So far this year the share price index has increased by 29 per cent, which is better than the European average, with confidence improved by the referendum vote in favour of the Maastricht treaty in May.

Sector indices show a jump of 47 per cent for banks since the end of last year, with shipping shares increasing by 45 per cent. Industrials, up by only 14 per cent, have lagged badly, suffering from difficult conditions in all of their main export markets, Britain, Sweden and Germany, and a disappointing domestic market where first half GDP declined by about 1.3 per cent from the same period last year.

The banks were returned to first-half profits by big gains in the value of their bond and share portfolios, gains which under Danish accounting practice go into the profit and loss account almost in their entirety. Danske Bank has moved from a low of DKr189 to DKr335 this year, and Unidanmark from DKr99 to DKr209.

Shares in the big AP Moller shipping and oil group's quoted companies, D/S 1912 and D/S Svendborg, have increased in value by over 50 per cent this year. Mollar's Maersk Line became the world leader in container-carrying capacity earlier this year when it acquired the liner operations of its erstwhile Danish rival, the East Asiatic Company.

Denmark



Source: Datastream

The group's oil and gas production in the Danish sector of the North Sea has been adversely affected by lower oil and gas prices, but the volume of gas sales will increase by about 50 per cent in 1997 as the result of a new agreement with the state's oil and gas distribution company.

Other shares which have performed well are EAC, up from a low of DKr60 to DKr144, and GN Great Northern, up from DKr253 to DKr537. EAC, once regarded as the Rolls Royce of the Danish corporate world, came close to total collapse last year, but a programme of divestments under a new management has put the group, which has major and profitable trading interests in the Far East, on a sounder footing.

GN made its name a century ago by laying telephone cables across Russia and from there to Japan. Its fortunes have revived with the opening up of East Europe, where it has participated in establishing optical fibre cable links between Denmark and Poland, and south through Poland to the Czech border, and between Denmark and St Petersburg. This year GN signed a contract for cables to link Russia to Japan and South Korea.

Meanwhile, the domestic economic outlook may be about to improve. There will be a big boost to demand through fiscal policy in 1994. The government predicts a growth in real private consumption by four per cent and in GDP by 2.8 per cent. Non-official forecasters tend to think that the forecasts are too high, but the minister of finance, Mr Mogens Lykketoft, told the FT this week that real household disposable incomes in 1994 will rise by at least 4-5 per cent, so he considers the forecast fully realistic.

ASIA PACIFIC

Hong Kong at a record high on strong US buying

Tokyo

EQUITIES closed marginally higher as investor interest turned to trading on the second section and the over-the-counter market, *writes Emiko Terazono in Tokyo.*

The Nikkei average gained 28.30 at 20,105.71 after moving between 20,032.20 and 20,158.33. Traders said public funds and financial institutions supported shares, while individuals, tokkin, or specified money trusts, and foreign investors sought small-capital issues. The second section index rose 3.50 to 2,256.50, while the OTC average advanced 37.61 to 1,706.29.

Volume on the first section came to 260m shares, against 290m. Advances led declines by 507 to 485, with 176 issues unchanged. The Topix index of all first section stocks put on 8.39 at 1,626.25 and, in London, the ISE/Nikkei 50 index was 0.08 firmer at 1,255.35.

Traders said some investors were becoming increasingly pessimistic over corporate earnings because of a spate of downward earnings revisions and restructuring announcements by major companies. However, Mr Jason James, strategist at James Capel, said that with interest rates at a record low, cash, including speculative funds, should start entering the equity market.

Mazda Motor dropped Y31 to Y483 on heavy selling after announcing that its pre-tax loss would rise to Y32bn from an earlier estimate of Y12bn.

There was a recovery in large-capital issues and banks which were previously sold on profit-taking. Nippon Steel improved Y11 to Y318, Industrial Bank of Japan Y90 to Y3,260 and Fuji Bank Y50 to Y2,300.

Nippon Telegraph and Telephone rose for the first time in six trading days, gaining Y4,000 at Y831,000.

Investors sought prospective beneficiaries of the temporary easing of the country's imported rice ban due to the poor domestic harvest. The Agriculture Ministry yesterday announced that the rice harvest index was 80 against an annual average of 100, and said it would import 200,000 tonnes of rice as its first instalment.

Trading companies such as Mitsubishi, up Y20 at Y1,190, gained, while warehouse issues also advanced, Mitsui Soko adding Y9 at Y940.

DDI, a long distance telecom company listed on the second section, firmed Y140,000 to Y6.32m on reports of an easing of restrictions on portable telephones.

In Osaka, the OSE average moved up 36.18 to 22,186.77 in volume of 16.4m shares.

Roundup

THERE WERE a number of impressive performances among the region's markets yesterday. Seoul and Taiwan were closed for holidays.

HONG KONG climbed 1.7 per cent to a record close, encouraged by the more moderate tone of Chinese foreign minister Qian Qichen ahead of his meeting today with Mr Douglas Hurd, the British foreign secretary.

The Hang Seng index rose 125.12 to 7,676.22 in turnover that swelled to HK$4.95bn from Wednesday's HK$2.86bn.

Strong US demand was noted as Morgan Stanley raised the Hong Kong weighting in its global equity model portfolio from 0.2 per cent to an overweight 3 per cent. Mr James Lister-Cheese of Morgan Stanley commented that Hong Kong was trading on a prospective price/earnings ratio of 13 times 1993 earnings, compared with p/e ratios in the mid-20s for many other markets in the area, largely as a result of perceived political risk.

Morgan Stanley saw political tensions easing, he said, and a positive outlook for the Hong Kong economy as trade with China opened up.

KUALA LUMPUR remained firm, the composite index advancing 7.27 to a record 853.83 close. A 50-cent gain in Telekom Malaysia to M$17.20 helped to drive the index forward.

SINGAPORE picked up as investors sought property issues ahead of more liberal use of workers' provident fund savings for investments. The Straits Times industrial index rose 19.74 to 2,009.02 in volume that jumped to 471.78m shares from 356.70m.

AUSTRALIA was pushed higher by gains in the futures market and the oil sector, as well as further rises in BHP and News Corp. The All Ordinaries index edded 13.0 at 1,964.4 in turnover of A$388.7m.

BHP put on 10 cents for a record close of A$16.26, while News Corp appreciated 8 cents to A$11.00.

MANILA turned lower as the peso's appreciation against the dollar led to a pullback in share prices of dollar-earning market leaders. The market index shed 8.65 to 1,973.76.

BOMBAY rose on news that a resolution was in sight over the recent seizure of proxy-held shares by the income tax authorities. The BSE 30 index ended 32.97 up et 2,719.28.

SOUTH AFRICA

AN afternoon rally in industrial shares faded by the close on late strength in the financial rand. The golds index lost 43, or 2.8 per cent, to 1,505, the industrials index eoded unchanged at 4,484 and the overall index fell 43 to 3,762.

FT-ACTUARIES WORLD INDICES

Jointly compiled by Tha Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 29 1993								TUESDAY SEPTEMBER 28 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	142.06	+0.4	139.25	94.42	119.17	146.31	+0.4	3.53	141.54	138.37	94.18	119.03	145.65	148.84	117.39	124.14
Austria (17)	169.52	+0.0	166.17	112.68	142.20	142.04	-0.8	1.09	169.59	165.80	112.83	142.62	143.22	180.43	131.18	160.71
Belgium (42)	147.40	+0.3	144.49	97.67	123.65	126.32	+0.1	4.56	147.04	143.75	87.82	123.65	126.18	156.76	131.19	147.90
Canada (107)	121.92	-0.4	119.51	61.03	102.27	117.28	+0.0	2.89	122.37	119.64	61.41	102.90	117.28	130.38	111.41	117.10
Denmark (32)	233.14	+0.0	228.52	154.96	195.57	207.06	-0.5	1.10	233.12	227.91	155.10	196.04	208.08	233.14	185.11	208.42
Finland (23)	110.21	+1.0	108.03	73.26	92.45	133.30	+0.2	0.76	109.11	106.67	72.60	81.78	133.03	118.56	65.50	59.42
France (97)	170.16	+0.4	166.78	115.09	142.73	150.47	+0.2	3.07	169.54	165.75	112.78	142.56	150.18	171.69	142.72	160.79
Germany (60)	128.24	-0.1	125.70	85.25	107.57	107.57	-0.3	1.96	128.35	125.48	85.40	107.93	107.93	128.13	101.59	114.39
Hong Kong (55)	300.67	+1.2	294.73	199.85	252.23	298.66	+1.1	3.41	297.21	290.56	167.73	249.94	295.34	302.14	218.82	227.77
Ireland (14)	168.64	+0.0	165.30	112.09	141.46	164.39	-0.2	3.41	168.68	164.91	112.22	141.85	164.71	173.06	129.28	145.69
Italy (70)	74.12	-0.4	72.65	49.26	62.17	87.15	-0.6	1.88	74.44	72.77	49.52	62.59	87.67	78.93	53.78	51.44
Japan (470)	152.78	-0.2	149.78	101.55	129.16	101.55	-0.3	0.81	153.14	149.71	101.88	128.79	101.88	165.81	100.75	108.92
Malaysia (69)	411.24	-0.5	403.11	273.33	344.96	403.88	-0.5	1.71	413.42	404.18	275.04	347.65	406.10	413.42	251.66	250.06
Mexico (19)	1679.29	+0.5	1646.08	1116.18	1408.68	5723.89	+0.5	0.86	1670.87	1633.51	1111.64	1405.10	5697.93	1771.56	1410.30	1225.67
Netherland (24)	184.83	+0.1	181.17	122.85	155.05	152.82	-0.1	3.58	184.65	180.52	122.85	155.28	152.96	187.18	150.39	169.67
New Zealand (13)	59.31	-0.6	58.16	39.42	49.75	57.18	-0.1	3.90	59.47	58.14	39.57	50.02	57.23	62.98	40.58	40.73
Norway (22)	168.39	-1.6	165.06	111.93	141.26	181.62	-1.7	1.63	171.06	167.23	113.81	143.85	184.67	177.44	137.71	146.75
Singapore (38)	292.61	+0.3	286.82	194.48	245.45	214.26	+0.2	1.61	291.81	285.28	194.14	245.39	213.88	292.61	207.04	188.79
South Africa (60)	202.55	+0.6	198.54	134.62	169.90	188.15	+0.8	2.79	201.30	196.79	133.92	169.27	187.10	215.29	144.72	177.94
Spain (43)	137.74	+0.3	135.02	61.56	115.54	135.92	+0.0	4.20	137.28	134.21	61.33	115.44	135.93	140.97	115.23	119.59
Sweden (36)	190.26	-0.7	186.49	126.46	159.60	226.80	-0.6	1.49	191.65	187.37	127.51	161.17	228.11	196.23	149.70	165.37
Switzerland (50)	141.88	+0.4	139.02	94.28	118.99	124.29	+0.4	1.75	141.24	138.09	93.98	118.79	123.82	141.83	108.91	122.37
United Kingdom (218)	186.63	-0.5	182.94	124.04	156.54	182.94	-0.2	3.91	187.58	183.38	124.79	157.73	183.38	191.70	162.00	179.96
USA (520)	188.21	-0.3	184.48	125.10	157.89	188.21	-0.8	2.73	188.73	184.51	125.57	158.72	188.73	189.40	175.38	170.36
Europe (748)	157.62	-0.1	154.51	104.77	132.23	146.71	-0.2	3.07	157.85	154.32	105.02	132.75	146.93	159.39	133.92	144.53
Nordic (113)	180.18	-0.4	176.62	119.77	151.15	185.76	-0.5	1.32	180.92	176.87	120.37	152.14	186.76	183.23	142.13	159.34
Pacific Basin (714)	157.54	-0.1	154.43	104.72	132.18	108.27	-0.2	1.09	157.77	154.24	104.97	132.68	109.52	168.80	105.89	113.09
Euro-Pacific (1462)	157.47	-0.1	154.35	104.66	132.09	124.38	-0.2	1.90	157.70	154.17	104.91	132.60	124.62	162.86	117.28	125.81
North America (627)	184.10	-0.3	180.48	122.38	154.46	183.41	-0.3	2.73	184.62	180.49	122.84	155.28	183.89	185.69	171.51	167.05
Europe Ex. UK (530)	138.92	+0.1	136.17	92.35	116.56	125.61	-0.1	2.53	138.80	135.69	92.38	116.74	125.73	139.50	112.51	123.12
Pacific Ex. Japan (244)	204.43	+0.5	200.38	135.90	171.50	191.18	+0.5	3.01	203.43	198.88	135.36	171.09	190.24	205.61	152.70	154.02
World Ex. US (1648)	157.68	-0.1	154.56	104.81	132.28	128.29	-0.2	1.93	157.89	154.36	105.05	132.78	126.51	162.89	118.51	126.70
World Ex. UK (1950)	164.95	-0.2	161.69	109.64	138.38	141.72	-0.2	2.05	165.20	161.51	109.91	138.94	142.01	168.50	134.22	136.72
World Ex. So. Af. (2108)	166.73	-0.2	163.44	110.83	139.88	145.03	-0.2	2.22	167.06	163.32	111.15	140.50	145.35	170.43	137.29	140.29
World Ex. Japan (1698)	176.26	-0.2	172.78	117.17	147.88	170.52	-0.2	2.85	176.56	172.61	117.48	148.50	170.80	177.11	157.47	156.46
The World Index (2166)	166.88	-0.2	163.56	110.91	139.98	145.44	-0.2	2.23	167.18	163.44	111.23	140.59	145.74	170.42	137.32	140.46

Constituent changes with effect 1/10/93: Deletions: Kanzaki Paper (Japan), Affiliated Publications (USA) and Quantum Chemical Corp. (USA).
Latest prices were unavailable for this edition.